A paper prepared for the

# Economic Council of Canada

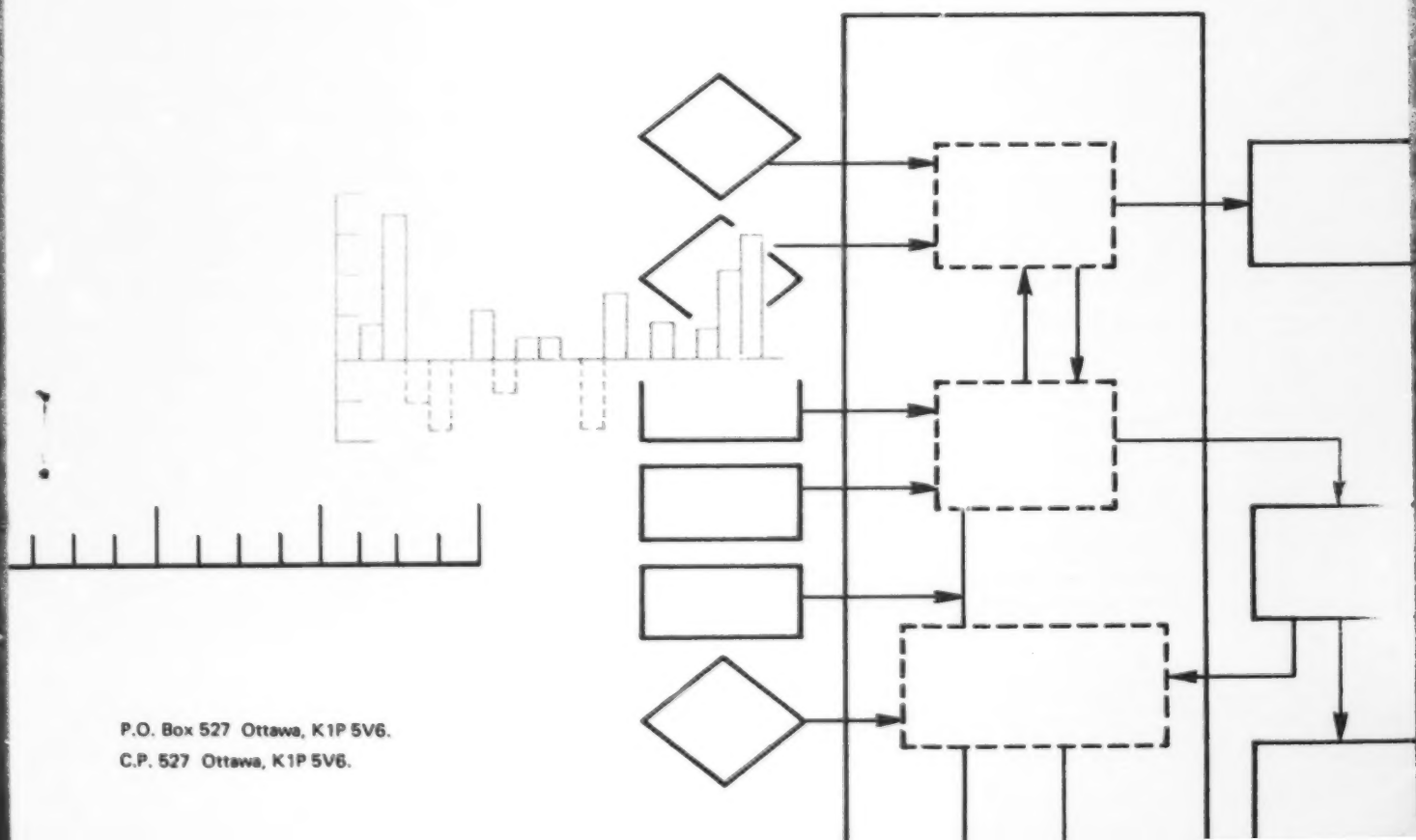
DISCUSSION PAPER NO. 219

## The Economic Development of Western Canada An Historical Overview

by D. Owram

Un document préparé pour le

# Conseil économique du Canada



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## Résumé

Le développement économique des provinces de l'Ouest s'est fondé en grande partie sur l'exploitation des principales ressources primaires de la région, soit le blé, le bois d'oeuvre, les minéraux, la pêche, et plus récemment, le pétrole et le gaz naturel. De plus, les relations entre l'économie de l'Ouest et l'économie nationale, ainsi que les problèmes de développement particulier, ont évolué au cours des années. Il a donc été nécessaire de répartir le développement économique de cette partie du pays en cinq périodes.

La première étape va de la cession des Territoires du Nord-Ouest au Dominion du Canada, en 1870, jusqu'à la fin du 19e siècle. Au cours de ces années, le développement économique a été stimulé surtout par le processus de peuplement, les immigrants eux-mêmes et le gouvernement contribuant à financer le développement de l'agriculture et des transports. Ce n'est toutefois que vers 1900 que l'évolution économique de l'Ouest a commencé à correspondre à ce qu'on en avait espéré. Nous assistons alors au début de la seconde phase du développement économique de l'Ouest, soit les années d'essor, à partir de 1898 jusqu'à 1912. L'évolution de la conjoncture économique mondiale, d'excellentes récoltes et une forte immigration ont fait du Canada l'un des principaux exportateurs de blé, et de l'Ouest, l'un des éléments clés du développement de l'économie canadienne. Cette croissance a permis au gouvernement de poursuivre le développement du pays en appliquant une protection tarifaire qui a facilité les échanges entre l'industrie manufacturière des provinces centrales et l'Ouest agricole.

La troisième période, qui s'étend de 1912 à 1929, a marqué l'épanouissement de l'économie du blé. Mais ce fut aussi, sur le plan économique, une période mouvementée d'abord caractérisée par une récession, puis une période d'essor en temps de guerre, suivi enfin d'une autre récession, qui ont provoqué des fluctuations prononcées de l'activité économique. Ces fortes variations de la conjoncture ont entraîné du mécontentement, sur le plan politique, ainsi que l'apparition, après 1914, de groupes régionaux de protestataires puissants bien qu'éphémères. Ces mouvements continuèrent à réclamer une orientation agricole du développement économique de l'Ouest, mais s'opposèrent à la politique nationale de protection tarifaire. Ces revendications montrent bien les problèmes alors liés à l'économie du blé; cette dernière demeurera malgré tout prépondérante tout au cours des années 20, et le Canada deviendra l'un des principaux exportateurs mondiaux de blé.

La quatrième étape du développement économique de l'Ouest est comprise entièrement dans les années de dépression, soit entre 1929 et 1939. Cette période s'est caractérisée par l'effondrement de l'économie de l'Ouest, accompagné d'une baisse de tous les indicateurs économiques, non seulement de façon absolue, mais aussi par rapport aux autres régions du Canada. Le secteur agricole de l'Ouest a été tout particulièrement touché et, par conséquent, les régions qui dépendaient fortement de l'agriculture, plus encore. C'est alors que le développement de l'Ouest, jusque là fondé sur l'économie du blé, commença à se centrer sur les régions possédant de multiples ressources, comme la Colombie-britannique et, dans une moindre mesure, l'Alberta.

La Deuxième Guerre mondiale a été une période de reprise économique pour le Canada, mais dans l'Ouest, celle-ci a été lente et inégale. L'importance et la taille du secteur agricole ont continué à décliner. Ce facteur, joint aux souvenirs de la Crise, a poussé les gouvernements de l'Ouest à chercher des moyens de diversification économique. Les provinces qui disposaient de ressources permettant d'alimenter l'activité industrielle croissante au Canada, comme la Colombie britannique et, après 1947, l'Alberta, se mirent à prospérer. Par contre, au Manitoba et en Saskatchewan, la production économique continua de diminuer, par rapport à la production totale du pays. Toutefois, pour toute la région de l'Ouest canadien, l'après-guerre s'est caractérisée par une urbanisation rapide, l'importance grandissante du secteur des services et la volonté d'implanter des industries manufacturières secondaires.

Enfin, au cours des dernières années, les gouvernements de l'Ouest sont devenus de plus en plus militants pour la protection des intérêts régionaux, à un moment où la croissance spectaculaire du secteur énergétique dotait ces provinces d'un nouveau pouvoir politique et de ressources financières leur permettant de poursuivre leurs objectifs économiques et politiques. De façon générale, le principal objectif économique semble être de continuer à rechercher la diversification comme moyen d'assurer la stabilité économique à l'avenir. Les recettes provenant des ressources sont considérées comme le moyen d'en arriver à cette diversification; quant à savoir si celle-ci est possible, cela reste à voir. Il faudra évaluer soigneusement les coûts du transport, les conditions climatiques, le fait que la population n'est pas nombreuse, ainsi que d'autres facteurs. Toute politique qui ne tiendrait pas compte de ces réalités donnerait des résultats décevants.

## ABSTRACT

Western Canada economic development has rested to a high degree on key primary resources such as wheat, timber, minerals, fishing and, more recently, oil and natural gas. The relationship of the western economy to the national and the specific problems of development have altered through time. It is therefore necessary to divide western economic development into five periods.

The first period runs from the transfer in 1870 to the end of the 19th Century. In these years the main impetus to development was the actual process of settlement as immigrants and government spent capital to develop the agricultural and transportation sectors. It was not until sometime near 1900, however, that the rate of western development began to match earlier expectations. This opens the second phase of western development, the boom years running from 1898 to 1912. Changing world economic conditions, excellent crop yields and large immigration made Canada a major wheat exporter and made the West a key part of Canadian development. This growth allowed the government to pursue national development through means of protective tariffs which encouraged a central Canadian manufacturing sector to serve the agricultural West.

The third period runs from 1912 to 1929 and marks the maturing of the wheat economy. It was also a turbulent economic period as recession, wartime boom and postwar recession resulted in marked swings in economic activity. This high variation in economic circumstances led to political protest and the development of very powerful, if short lived, regional protest parties after 1914. These parties continued to look to an agrarian orientation for western economic development but protested the national policy of protective tariffs. The political protest that occurred indicates the problems within the wheat economy but that economy remained dominant through the 1920s and Canada became one of the major world exporters of wheat.

The fourth period is that bounded by the years of depression, 1929 to 1939. In this period the western economy collapsed and the region suffered not only an absolute decline in all economic indicators but a decline relative to other parts of Canada. Within the West the agricultural sector was hit especially hard and this meant that those areas highly dependent on agriculture were most severely hit. The focus of western development began to shift away from the wheat economy provinces to multi-resource areas like British Columbia and, to a lesser extent, Alberta.

The Second World War brought recovery for Canada but in the West that recovery was slow and uneven. The

importance and size of the agricultural sector continued to decline and this, combined with memories of the depression, caused western governments to look for means of economic diversification. Those provinces with resources that could supply growing Canadian industrial activity, such as British Columbia and, after 1947, Alberta, thrived. Conversely Manitoba and Saskatchewan saw their economic output relative to Canadian totals continue to decline. For the West as a whole, however, the period after the war was marked by rapid urbanization, the rise of the service sector and the search for secondary manufacturing.

Finally, in recent years governments in the West have taken an increasingly aggressive stand on regional interests while the spectacular growth of the energy sector has provided the West with new political power and financial resources with which to pursue economic and political goals. Generally the main economic goal seems to be to continue to look to diversification as a means of providing economic stability in the future. Returns from resources are seen as the means by which such diversification might be induced. Whether such diversification is possible remains to be seen. Transportation costs, climate, a small population base and other factors must be assessed with some care. Any policies which ignore these realities will yield disappointing results.

In the last decade the rapid growth of Western Canada has caused a great deal of discussion. Both within the West and throughout Canada this growth has generated debate about the proper direction for future western development and the relationship of regional needs and policies to national needs and policies. This questioning of the balances between regional and national concerns has been a recurring theme in Canadian history as a large, economically varied and geographically dispersed nation seeks to respond both to economic circumstances and to political policy. What follows is an attempt to review the history of western economic development and the way in which that development has shaped economic and political policy in the past.

Both because such a broad study has obvious limitations and because it seeks to address a non-historical audience some preliminary comments on evidence are necessary. While historians prefer studying events of the past as specific and unique and exhibit caution with the social scientific tendency to seek 'laws' some generalizations are both necessary and desirable. Moreover, the more compressed the paper the more generalizations are required as a means of covering the vast amounts of detail in an expeditious manner. Examples must serve as evidence of a point and references to other studies must serve as substitutes for long explanations of detail. All such 'proofs' must be accepted only with care and the historian must remain conscious that his discipline straddles the humanities and the social sciences.

In general terms this paper deals in three levels of 'proof'. First, there is the historical record of events, statistical data and policy decisions. The interpretation of this data is the same as in any social science and has the advantage of having taken place well in the past, thus allowing records to become inreasingly available. Secondly, there are generalizations which extrapolate from these records in the search for underlying trends, political motivation and cause and effect relationships. The degree of certainty here depends on the quality of the evidence and the amount of time devoted to its study. In some cases the amount of evidence is significant, resting on detailed monographs done over the years. Conclusions drawn from such data always remain

subject to revision should new material or interpretations appear but any dramatic alteration is unlikely. In other cases, however, especially those dealing with events of a more recent nature, all the records may not be available and the detailed studies as yet not undertaken. In such instances the term 'hypothesis' is perhaps a more accurate wword than 'proof'. This is especially the case when one is dealing with such vague and slippery terms as 'regional outlook', 'public opinion' and 'political attitudes'. There are ways in which these hypoetheses can be tested, however, at least in a prliminary fashion. First, it can be asked whether political statements of position seem to have the general support of the voting public in terms of continued support for the party expresssing those opinions. Secondly, what is the current reflection of public opinion as expressed in editorials, surveys (where they exist) and other observations of the contemporary scene. Finally, is there any compelling evidence of a contrary stream of opinion which may be as valid a statement of the public mood as the supposedly dominant one? Even with such tests, however, historical interpretations of public opinion are always more dubious than those involving specific events and should be treated as such by the reader.

In undertaking such a review it is useful to divide the history of western Canadian economic development into five distinct phases running from 1870 to 1960. The first phase was that of the 'settlement frontier', extending from the transfer in 1870 to the later 1890's. It is a period when the main economic activity of the West involved the absorption of immigrants rather than the production of significant exports. It is also a period of slow growth and regional powerlessness. The second period comprises the years of the Laurier boom (roughly 1900–1912). Large scale immigration to and investment in the West as well as the growing importance of wheat exports characterized these years. The third phase is best described as that of the 'mature wheat economy' and runs from 1913 to 1929. It is a period when the West is an important centre of Canadian economic activity but it is also marked by short and rather sharp economic fluctuations, revealing some vulnerabilities in the structure of the Western economy. The fourth phase is famous historically as the Great Depression of the 1930's. In Western Canada it was marked not only by an

absolute decline of some severity in all economic indicators but as well by a decline relative to other parts of Canada. It raised fundamental questions about the structure of the western economy and has influenced government policy ever since. The fifth phase might be entitled 'uneven prosperity' and stretches from 1940 to the early 1960's. In these years the economy of the West recovered as did that of the nation as a whole but that recovery was qualifed by two related factors. First there were significant shifts in economic activity from primary to secondary and tertiary sectors of the economy as well as within the primary sector itself. These shifts were part of natural growth patterns but they also forced economic and social adjustments. As well, these sectoral shifts magnified long standing disparities within the region. A final section will make general comments on recent trends and raise some questions about the historical patterns and current state of western economic development.

**The Settlement Frontier**

The Canadian annexation of the West in 1870 and enticement of British Columbia into the Confederation in 1871 was a tremendously ambitious step. Not only did Canada expand from a country centred in the St. Lawrence valley to one of transcontinental dimensions but it undertook to transform the economy and society of the region which it annexed. For unlike many other instances of Canadian expansion no dominant staple existed for exploitation in the newly annexed region. The fur trade, the original staple, was not, in itself a significant factor in the movement to annexation. The gold rush in British Columbia had tapered off with no clearly defined replacement.[1] Rather, Canada sought to develop a new staple resource based on agriculture. It would, however, be several decades before the agricultural products of the West played a significant part in the Canadian or, for that matter, the Western economy. Though the first grain was shipped out of Manitoba in 1876 the fact is that total agricultural production in the West remained fairly small through the rest of the nineteenth century. As of 1890 Canada's total wheat production, much of it in

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[1]For further discussion of Canadian motives in expanding to the West and hopes for the region see author's *Promise of Eden: The Canadian Expansionist Movement and the Idea of the West 1856-1900* (Toronto, 1980). On British Columbia's state on entry to Confederation see M. Ormsby, *History of British Columbia* (Toronto, 1958).

Ontario and Quebec, was just over 42 million bushels and exports of wheat were only marginally higher than in 1870.[2] In other words, it was some time before the prospective primary resource of the West developed. It is therefore necessary to look at the first phase of Canadian western development in terms of a frontier economy in which the products of the region play an unimportant part compared to other factors.

The main impetus to western economic development from 1870 to the 1890's and perhaps later was the settlement process itself. The arrival of immigrants, the development of an economic infrastructure and the prospects of future reward were the key factors in shaping the western economy in these early years. Moreover, this 'settlement economy' was very much a planned aspect of Canadian development. In fact, it is arguable that the Canadian expansionists of 1870 were as interested in the possibilities of this settlement process as they were in the ultimate products of the region. After all, the importation of population as much as any product had spurred both the Canadian and American economy through the nineteenth century. The settlement of the southwestern triangle of Ontario had acted as an impetus to the development of Toronto through the 1840's and 1850's while the expansion of American settlement westward across the Mississippi had fueled development along the seaboard.[3] There was thus, from the time of annexation, a belief in an expanding frontier as an 'engine of growth' for the more settled regions behind that frontier. Those who went west would be expected to spend accumulated capital in order to establish themselves in the new land.[4] The prospects of the new land and the pressing need for services, especially the need for railway lines, would, it was hoped, encourage investment from abroad which would in turn find its way back to commercial forwarders, incipient industrialists and others in the east.

Such visions of prosperity could flourish only because the economic possibilities of the West over the long term were such as to encourage individuals in large

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[2] Dominion Bureau of Statistics (DBS), *Canada 1931, Canada Year Book 1930*
[3] Vernon Fowke, *The National Policy and the Wheat Economy* (Toronto, 1957) 10-16.
[4] Much of the immigration to the West was expected to come from established farmers who would sell their farms and thus move West with capital available to re-establish themselves.

numbers to spend their savings in hope of future returns. The basis of this belief was, of course, the idea that the area would soon provide an infinitely renewable export product of major proportions. Grain production was seen as the principle future economic activity of the prairie West, though ranching and, in British Columbia, mining were also seen as potentially important. These new staple resource based exports were thought to have three benefits for Canada. First, they would provide Canada the necessary position in the export markets to encourage a continuation of the high level of capital imports which had been the basis of Canadian development to date. Secondly, in an age when agriculture was the source of livelihood for the majority of Canadians the West was seen as crucial to the attraction of immigrants. Thirdly, both the settlement process itself and the agricultural sector that would develop from that settlement process would provide a large (and for many years an expanding) market for business in eastern Canada. The short term settlement process, the long term development of an export staple, the benefits to the agricultural community and to the metropolitan businesses mixed indiscriminately in the minds of Canadians in their annexation of the West. For at least the next 60 years these hopes and assumptions shaped Canadian economic policy in a fundamental way.

In general the governments of the day undertook two lines of policy development in order to further their ambition. First, there was considerable subsidization of the opening of the West in order to increase the rate of settlement. Potential future revenue in land sales was foregone under the 'Dominion Lands' system of homestead grants modelled on the experience of the United States.[5] Construction of the Canadian Pacific Railway was subsidized by cash and land grants, guarantees of monopoly and other benefits. Immigration promotion throughout the European continent was funded by the federal government to encourage people to come to the new frontier. Nor were these costs trivial. The opening of the West, especially the subsidization of the Canadian Pacific, helped push the debt charges of the Dominion to

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[5] Chester Martin's *Dominion Lands' Policy* (Toronto, 1938) is the standard work on this subject. See also James Richtik, "The Policy Framework for Settling the Canadian West, 1870-1880," *Agricultural History*, 49 (1975), 613-628.

nearly a third of total revenue by the early 1890's.[6] The second, and related, line of policy development was to try to maximize the benefits of the settlement process to Canadian business. The key instruments here were the series of protective tariffs introduced by the Macdonald government beginning in 1879. The growing agricultural sector would, it was hoped, be directed into Canadian markets through the judicious use of the tariff.[7]

Together the program of support for western settlement and of protection for Canadian industry has become known historically as the national policy. While its exact impact is a subject of great controversy there is no doubt that it remained a focus of Canadian development over at least 60 years. Various modifications in policy would be forced due to economic circumstances and political demands but none, at least before the great depression, broke with the basic position stated by Finance Minister Leonard Tilley in 1873 when he foresaw "the Northwest becoming rapidly settled, the exports of the settlers passing through our canals and the whole system of Ontario railways complete, the result will be that the trade of Toronto which has doubled in five years will be quadrupled, and the case will be the same with Hamilton, London and other cities in the West."[8]

Initially the economic development of the West proceeded at a disappointingly slow pace. Through the 1870's it was assumed with confidence that the only problem was the absence of a railway connection to the outside world.[9] Canadians thus waited expectantly first for the connection of Winnipeg to the American rail network in 1879 and then for the completion of the Canadian Pacific mainline in 1885. Yet western growth in the latter half of the 1880's did not respond to the completion of the railway, due in part to the effects of declining wheat prices and relatively high transportation charges. Under these economic conditions the possibilities of the prairie

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[6] Richard Caves and Richard Holton, *Canadian Economy. Prospect and Retrospect* (Cambridge, 1959), 237

[7] Actually, there was nothing like a scientific application of protection. Rather, it was usually a case of the ability of any firm to influence the government of the day, often with the aid of campaign contributions.

[8] W.A. Mackintosh *The Economic Background of Dominion Provincial Relations* (Toronto, 1964), 25.

[9] Owram, *Promise of Eden*, 119.

farm were simply not attractive enough to bring in immigrants in large numbers. Homestead entries declined from a high point in 1882 and remained low into the 1890's .(See Table 1) [10] Even along the main line of the C.P.R. the government found it difficult to attract prospective settlers. An initial price of $6.00 per acre brought few buyers. Ultimately it was necessary to reduce the price to a mere $1.00 per acre. [11] By 1891 all the flowery rhetoric about Canada being the "granary of the world" could not hide the fact that less than 2% of world wheat production came from this nation.

**The Boom Years, 1898-1912**

Canada had been looking to the rapid settlement of the Canadian prairies as a means whereby the rest of the economy would be spurred to further development and while the effects of the recession on eastern Canada have often been overstated there is no doubt that the lack of a settlement boom hindered Canadian development generally. In the east there was a feeling that the National Policy had failed. On the West coast British Columbia's economic development remained centred on the fishing industry and population growth remained slow.[12] Then, in the later 1890's everything changed as immigration and land settlement rates jumped dramatically. Gross homestead entries, which had been running between two and four thousand per annum through the 1880's and early 1890's rose to 7400 by 1900 and 14,600 by 1902. From that year until World War 1 they would be above 20,000 every year. Between 1891 and 1911 the population of the four western provinces would more than triple and in a ten year period (1900-1910) the value of agricultural production on the prairies would

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[10] W.A. Mackintosh, *Economic Problems of the Prairie Provinces* (Toronto, 1935) 282 Part of the reason for the decline in homestead entries by the mid- 1880's may lie in the declining wheat prices in these years. From a high of $1.34 per bushel (No. 1 Northern at Ft. William) in 1881 they declined to the low 80 cents range by the mid 1880's. The question of the availability of better land elsewhere has been convincingly presented by Ken Norrie, "The Rate of Settlement of the Canadian Prairies, 1870-1911," *Journal of Economic History* (1975), 410-427.

[11] James Richtik, "The Policy Framework for Settling the Canadian West," *Agricultural History* 49 (1975), 624.

[12] M. Ormsby, *British Columbia. A History*

increase from $37,832,946 to $655,419,830. [13] Here was both the rapid settlement which had been long predicted and the 'economic engine' which could drive the nation to prosperity. The Laurier boom had arrived.

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[13] *Canada Year Book*, 1930; *Census of Canada for 1921* Vol. 5, xxxix.

Table 1
**Number of Homestead Entries, 1874-1914**

| | | | | | |
|---|---|---|---|---|---|
| 1874 | 1376 | 1887 | 2036 | 1900 | 7426 |
| 1875 | 499 | 1888 | 2655 | 1901 | 8167 |
| 1876 | 347 | 1889 | 4416 | 1902 | 14633 |
| 1877 | 845 | 1890 | 2955 | 1903 | 31383 |
| 1878 | 1788 | 1891 | 3523 | 1904 | 26073 |
| 1879 | 4068 | 1892 | 4840 | 1905 | 30891 |
| 1880 | 2074 | 1893 | 4067 | 1906 | 41869 |
| 1881 | 2753 | 1894 | 3209 | 1907 | 21647 |
| 1882 | 7483 | 1895 | 2394 | 1908 | 30424 |
| 1883 | 6063 | 1896 | 1857 | 1909 | 39081 |
| 1884 | 3753 | 1897 | 2384 | 1910 | 41568 |
| 1885 | 1858 | 1898 | 4848 | 1911 | 44479 |
| 1886 | 2657 | 1899 | 6689 | 1912 | 39151 |

Source: W.A. Mackintosh, *Economic Problems of the Prairie Provinces*, 282

There has been a great deal of discussion by economists and historians concerning the forces which led to this boom. The standard interpretation looks to a "fortunate conjuncture of circumstances" which altered the economic attractiveness of prairie settlement.[14] This argument is so general that it is hard to refute but the exact mixture of circumstances leading to the change has remained a subject of debate. Certain key factors are apparent however. First, the world entered a new period of prosperity on the wave of gold discoveries which eased a monetary shortage that had hampered investment for several years. Secondly, transportation costs for the shipment of wheat had been declining steadily from, according to one estimate, a high of 33.4 cents per bushel Regina to Liverpool at the beginning of the 1890's to just over 20 cents per bushel by the beginning of the new century.[15] The result was, of course, a decrease in one of the major costs to the wheat farmer and a greater possibility of profit at any given price for wheat. Thirdly, it has been argued that this period brought the 'closing' of the American frontier and that, as the slogan of the time went, Canada became the 'last best West'. More recent studies have indicated, however, not that the American frontier closed but that advancements in dry-farming techniques and the closing of the "sub-humid" frontier made the Canadian West a

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[14] One of the earliest uses of this phrase comes in O.D. Skelton's "General Economic History," in Adam Shortt and Arthur Doughty, *Canada And Its Provinces* (Toronto, 1914), Vol 9. Vernon Fowke, *National Policy and the Wheat Economy*, 70 and W.A. Mackintosh, *Economic Background of Dominion Provincial Relations*, 24 use similar explanations.

[15] Mackintosh, *Economic Problems of the Prairie Provinces*, 284.

prime destination for immigration.[16] Finally, there was an outward shift in the supply curve of immigrants as various factors, including again falling ocean rates, increased emigration from eastern Europe.

The boom in settlement helped trigger other economic activities through the West. New districts were opened as previously uneconomic lands now offered potential profit. In particular after 1905 there was a rapid expansion of settlement in the arid southern prairie regions of Palliser's triangle.[17] Agricultural settlement was, in turn, followed by new branch lines as railways responded to economic incentives and governments to political pressure. Most dramatically, the federal government found itself drawn into the support of two new transcontinental railway lines designed to serve the parkland belt.[18] The construction of the railways, eventually at heavy cost to the Canadian taxpayer, provided a major impetus to the economy as new lines both decreased the cost of transportation for the farmer and provided construction jobs. Prairie coal mining expanded to feed the locomotives and to heat the increasing number of prairie homes. In Alberta mineral production, mainly coal, rose in value from less than a million dollars in 1900 to over 6.5 million by 1910. [19] Urban areas, which acted primarily as service centres to the surrounding agricultural regions prospered with the farm community. Edmonton expanded from a village of 700 people in 1891 to a city of more than 31,000 by 1911. Saskatoon which had not even existed in 1891 had a population of 12,000 by 1911. Perhaps the most dramatic growth belonged to the distribution centre of Western Canada, Winnipeg. From a population of 25,000 in 1891 it grew to become the third largest city in the Dominion by 1911 with 136,000 people. [20] As a focal point of western railways and as the 'gateway to the West,' Winnipeg developed considerable manufacturing and commercial capabilities

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[16] K. Norrie, "Rate of Settlement of the Canadian Prairies, 418-419
[17] *Census of Canada*, 1901, 1911
[18] Brown and Cook, *A Nation Transformed, 149-152*
[19] *Census of Canada* 1911; U.A.A., Research Council of Alberta Minutes, #56 "Report of the Geological Division"
[20] A.F.J. Artibise, "The Urban West: The Evolution of Prairie Towns and Cities to 1930. (1979) 241-243.

and was by the end of the Laurier era the fourth largest industrial centre in Canada.[21]

Growth was equally dramatic in British Columbia. Fishing, the dominant commercial activity of earlier years, remained important but slipped relative to mining and forestry.[22] Vancouver, a town founded only a few years earlier reached 100,000 in population by 1911. Moreover, while some of this growth was oriented to the international market much of it was also connected directly to the boom on the prairies. Forest products, for example, which became British Columbia's largest employer in these years,[23] found 70% of its market in feeding the construction boom on the Canadian prairies. [24]

Recently an argument has been made that in many ways these years saw more of an "investment boom" than a wheat boom, with the real impetus to growth coming from foreign capital imports rather than from Canadian exports. [25] The rise in investment was indeed dramatic over this period, running above 20% of GNP. In many ways, however, the term 'wheat boom' is a more apt one historically. First, the period between 1896 and 1911 marks, at long last, the emergence of the prairie West as a major grain producer with some 17.7 million acres of field crops by 1911 producing some 230,924,000 bushels of wheat. Canada had also become a major agricultural exporter sending some 97,600,000 bushels of wheat or flour overseas. [26] By 1914 nearly 20% of all international wheat exports originated in Canada. Moreover, within the prairie economy, wheat was, indeed, king. It accounted for nearly 60% of the total value of field crops on the prairies and far outstripped both any other agricultural commodity or non-agricultural activity in terms of value of production.[27] Even in relatively diversified Alberta the production value of agriculture was five times as great

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[21] A.F.J. Artibise, *Winnipeg. A Social History of Urban Growth* (Montreal, 1975), 183
[22] Caves and Holton, *The Canadian Economy*, 220
[23] *Ibid.*, 224
[24] Fowke, *National Policy*, 72
[25] Robert Ankli and Robert Litt, "The Growth of Prairie Agriculture: Economic Considerations," *Canadian Papers in Rural History* (Gananoque, 1978). Figures in D.G. Paterson, *British Direct Investment in Canada, 1870-1914* (Toronto, 1976) indicate, however, that at least as far as net capital inflow was concerned, the boom occurred only after 1904 (Table 1.3) Note also that the four western provinces were the target of an absolute majority of British direct investment in Canada until 1910 (Table 3.5).
[26] *Canada Year Book*, 1930.
[27] *Census of Canada*, 1941, Vol. VIII.

as the next most important sector. In Saskatchewan agriculture was the only activity of importance, accounting for nearly three quarters of the total provincial value of production[28] Wheat was rapidly becoming Canada's major export and Canada, in turn, becoming one of the world's major exporters. The investment boom was, in other words, in large part a statement of expectation on the part of investors that the wheat boom was finally about to occur.

Two principles of economic planning are apparent in this agriculturally oriented era. First, the national policy remained the central feature of Canadian economic planning. The concept of a western export-oriented agricultural region supported by and supporting a manufacturing centre continued. Political statements by government officials on the benefits of immigration and the wheat boom to the east in the early twentieth century were no different than Tilley's statements of 30 years before. Prime Minister Wilfrid Laurier commiserated with westerners about the tariff but warned that "our tariff may have been disappointing to our firends in the West..but it has been perfectly satisfactory in the east." Speaking in the east he struck a more positive note toward the tariff. Western settlers, he noted,

> ...will require clothes, they will require furniture, they will require implements - and I hope you can furnish them to them in Quebec....It is your ambition, it is my ambition also, that this scientific tariff of ours will make it possible that every shoe that has to be worn on those prairies will be a Canadian shoe; that every yard of cloth marketed there will be a yard of Canadian cloth; and so on and so on... [29]

The refusal of the federal government to turn lands and natural resources over to the new Provinces of Saskatchewan and Alberta in 1905 reflected the same concerns for national direction of western economic development as had led to the retention of Manitoba's lands in 1870. [30]

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[28] *Census of Canada*, "The Prairie Provinces 1916"
[29] First citation from R.C. Brown and G.R. Cook, *A Nation Transformed* (Toronto, 1974), 157. Second from V. Fowke, *National Policy and the Wheat Economy* , 66
[30] Clifford Sifton to Laurier, January 22, 1905, February 1, 1905. PAC Laurier Papers 93969-73, 54-61.

Second, while the rising population and wealth of the West led to growing political protest against the economic position of that region in Confederation little outcry was heard about the dominance of agriculture. The concept of diversified growth was not a major issue.[31] Rather, local political grievances centred on the means of improving the position of the agriculturalist by means of government regulation and policy. Moreover, it should be noted that provincial governments were not of great importance in the shaping of economic policy. [32] Without lands and natural resources their fiscal and jurisdictional base remained too limited. Rapid growth compounded the problem with funds dedicated almost totally to providing basic services to a rapidly growing population. The strongest influence on the economy thus came from an increasingly insistent population or from the federal government itself and in all cases was directed towards the improvement of the position of the producer in the wheat economy rather than towards the diversification of the prairie provinces. Two specific and important examples are worth citing. First, in 1897, the federal government sought to encourage wheat production and further settlement by providing the farmer with guarantees on freight costs. In the famous Crows Nest Pass agreement the federal government subsidized a branch line of C.P.R. in return for fixed rates on various goods westward "covering the food, housing, implement and livestock needs of the prairie settlers" and the movement at fixed rates on grain and flour from all points westward to Thunder Bay. [33] The Crow rates quickly became a central feature of the wheat economy of the West and with minor adjustment and one suspension have remained in effect to the present day. The net effect was to encourage concentration on grain farming, where rates were guaranteed, over other activities.

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[31] There were occasional concerns expressed about the dominance of wheat but arguments that the farmers should operate more of a mixed farming operation failed in the face of the high profits available in wheat farming

[32]The possible exception to this is the large number of incentives which the Province, especially Manitoba, had provided to the Canadian Northern Railway over the years. These incentives, however, simply reinforced the limitations on the provinces by leaving them with a precarious debt burden should the railway collapse.

[33]Thus, for example, Winnipeg–Thunder Bay 14 cents per 100 lbs; Calgary–Thunder Bay 26 cents per 100 lbs. See C.F. Wilson, *A Century of Canadian Grain. Government Policy to 1951* (Saskatoon, 1978), 5. See also T.D. Regehr, "Western Canada and the Burden of National Transportation Policies," in D. Bercuson, *Canada and the Burden of National Unity* (Toronto, 1977).

The second example also involved an attempt to improve the economic position of the producer, this time by regulating the middlemen. Farmer's protests led in 1897 to the passage by the federal government of the Manitoba Grain Act. This Act, strengthened over the next few years, regulated the activities of the C.P.R. and of the giant elevator companies of the West in an attempt to protect the producer who was in a position of perfect competition from oligopolistic intermediaries. It was the beginning of a long and complex road of federal involvement in the grain trade in response to economic and political demands. [34] In these and in most other instances of government regulation in the pre-World War 1 period the major goal seems to have been to redistribute economic returns from the railways, elevator companies and other powerful middlemen to the producer rather than to diversify the economy as a whole. Whether the redistribution was effective is another question.

One final point should be made with regard to government policy in these years. The number of measures passed by the Laurier government to favour the farmers indicates a recognition of the new political clout of western Canada and a tolerance within Canada of economic adjustments to ensure the continued prosperity of the region on which the Canadian economy seemed so dependent. There is, however, one qualification. These adjustments could be made only within the general framework of the National Policy. When the government did attempt in 1911 to modify the national policy by means of a reciprocity agreement with the United States it was defeated by a combination of economic self-interest emanating from manufacturing circles in Ontario and by nationalistic concern about American influence over Canada. [35] The National Policy remained intact.

**The Mature Wheat Economy, 1912-1929**

Beginning in 1912-1913 the Canadian economic boom ended. Though little work has been done on the 1912-15 recession it would seem that a combination of a decline in British investment in Canada, a drop in wheat prices and rising freight rates

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[34] D.J. Hall, "The Manitoba Grain Act" An 'Agrarian Magna Charta'?", *Prairie Forum*, 4 (1) (1979), 105-120.
[35] L.E. Ellis, *Reciprocity:1911* (New Haven, 1939)

made the vulnerabilities of the Canadian economy apparent.[36] British Columbia, the recipient of most British investment found its economy especially hard hit as international markets for forest products and some minerals declined causing investment to weaken. On the prairies many farmers found themselves over-extended and in financial trouble. In parts of south-eastern Alberta and southwestern Saskatchewan immigration became emigration as farmers abandoned marginal areas. The effects soon spread. Urban centres in the West saw rising unemployment, collapsing real estate prices and shrinking sales in the face of a weak agricultural sector. [37] In Ontario and Quebec manufacturers found the market for their products diminished and the construction industry found commercial and industrial expansion being postponed. The expensive railway expansion which had characterized the Laurier years now proved to have been a risky venture. Both the Grand Trunk Pacific and Canadian Northern found capital difficult to obtain and turned increasingly to government for assistance. [38]

It has been argued that the downturn that began in 1912-13 was part of a natural cycle brought about by the maturing of the wheat economy. Long term adjustment seemed due in Canada. [39] That readjustment did not take place however for the coming of war gave a major boost to the Canadian economy. By 1916 both Canada as a whole and the West in particular was back into a period of economic expansion. The demands of war production caused growth in manufacturing, coal, various metals and timber. [40] In the agricultural sector the demand of allied nations and the disruption of European, especially Russian, crops caused wheat to rise from 88

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[36]Brown and Cook, *A Nation Transformed*,, 198-201; W.A. Mackintosh, *Economic Problems of the Prairie Provinces*, 284 indicates that shipping a bushel of wheat from Regina to Liverpool cost 26 cents in 1913 compared to 21.2 only two years before. D.G. Paterson, *British Direct Investment in Canada*, summarizes the fall in ivestment.

[37]John Thompson, *The Harvests of War. The Prairie West, 1914-1918*, 57-59. Artibise, "The Urban West," 257

[38]Brown and Cook, *A Nation Transformed*, 200-203

[39]A.E. Safarian, *The Canadian Economy in the Great Depression* (Toronto, 1970) develops the thesis that adjustments which would normally have taken place in the years after 1912-13 were delayed by the War. Thompson, *Harvests of War* argues that diversification of the agricultural sector was delayed by the war.

[40] Census of Canada, 1911, Vol. VI, 52-116; 1921 Vol. IV, 242-345. Note that only rough comparisons are available because of the change in categorization of occupations. Also as Thompson, *Harvests of War* notes, western manufacturing related to the war was pretty much confined to British Columbia.

cents a bushel in 1913 to $1.00 in 1914 and $2.24 by 1918. Excellent yields in 1915 further assisted in the recovery of the farm community and expansion of agriculture began again. One estimate concludes that some 40,000 new farms were created on the prairies between 1916 and 1921.[41] The boom of the previous decade had reappeared.

There were significant differences however. First, wartime inflation and the effective closing of the London money market made the burden of the Canadian transportation system apparent. By 1918 Canadian governments at all levels had committed more than two billion dollars in aid to railways.[42] Both the Grand Trunk Pacific and Canadian Northern were on the edge of bankruptcy and their collapse would have endangered the solvency of at least one bank and perhaps more than one western province. Nationalization was the only choice left and after much agonizing both railways were taken over by the Borden government.[43] The financial collapse of the two transcontinentals was an important turning point in the history of transportation in Western Canada. Until that time prairie farmers and governments had continually sought expansion of the rail capacity. Henceforth they would fight to prevent its reduction. From 1901 until the end of World War 1 an average of more than 1800 miles of new rail line opened in Canada each year, most of it in western Canada. From 1919 to 1949 the avarage would be less than 360 miles a year. [44]

World War 1 also brought significant involvement by the government in the marketing of wheat. Ever since the Manitoba Grain Act the government had accepted the principle of playing a regulatory role but, much to the chagrin of farmers, had resisted becoming directly involved in the marketing of wheat. Wartime pressures, however, changed this. The Winnipeg Grain Exchange found itself under increased pressure by market forces and the demands of national security. The government was drawn inexorably into the trading system commandeering some 13 million bushels of

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[41] Thompson, *Harvests of War*, 61
[42] Buckley and Urquhart, *Historical Statistics of Canada*, S18-23
[43] J.A. Eagle, "Sir Robert Borden, Union Government and Railway Nationalization," *Journal of Canadian Studies* X(4) (Nov. 1975). See also Canada. *Royal Commission to Inquire into Railways and Transportation C.S.P.* (1917), 20g
[44] Buckley and Urquhart, *Historical Statistics of Canada*, S53-63, S77-90

wheat in 1915 and in 1917 appointing a Board of Grain Supervisors to bring order to a market facing $3.00 futures on May wheat.[45] After the war the government would retreat from its interventionist position but the precedent had been set and as it seemed willing to take control in times of high prices it would be increasingly difficult politically not to do so in times of low prices or drought.

The end of the war brought more than the retreat of the government from the grain market. The prosperity and growth of 1916-1918 ended quickly as thousands of returning soldiers flooded a job market already depressed by the end of war production. In the countryside a mediocre harvest in both 1918 and 1919 and the slide of wheat prices from wartime highs turned the wartime boom into peacetime bust. Many of the economic patterns of 1912-1915 reappeared. Unemployment on the prairies climbed to 7.5% and in British Columbia it reached more than 14%.[46] Farm abandonment began again in parts of the Palliser triangle, especially in south-eastern Alberta.[47]

The most dramatic result of this recession was a political revolt against traditional parties and traditional solutions which swept the prairies in 1919-1921. The various farm movements revealed their power as they forced provincial governments either to reform or threw them out of office. At the federal level neither the Conservative nor the Liberal parties seemed able to respond to the western complaints and thus, in the 1921 federal election, the newly formed Progressive Party won 65 seats on the basis of the "New National Policy". In the West they won more seats than either traditional party. In Saskatchewan and Alberta they won more seats than the old parties combined.[48]

The Progressive success was short-lived. Internal squabbles and dubious political tactics soon divided and weakened the party. The movement is important, however, for

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[45] C.F. Wilson, *A Century of Canadian Grain. Government Policy to 1951* (Saskatoon, 1978) has one of the more lucid descriptions of a very complex series of events, 60-110

[46] Marr and Paterson, *Canada. An Economic History*, 427

[47] Census of Canada, 1911, 1921 and Census of the Prairie Provinces, 1916, 2-128 provide details on movements

[48] J. Beck *Pendulum of Power. Canada's Federal Elections* (Scarborough, 1968), 148.

two reasons. First, it was the most explicit statement of western grievance to date. In spite of the rapid growth of past years the West did not feel it was being treated fairly in Confederation. Secondly, that sense of grievance was being expressed in terms of an agrarian economy. The planks of the New National Policy had been written by the Canadian Coucil of Agriculture in 1919 and reflected the concerns of agriculturists for the future of an agricultural region.[49] The well being of the West was being identified with one segment of the economy and those involved in that segment obviously felt they were being treated unfairly. It was to be a common trait of western politics in the future.[50]

One of the reasons for the decline in the power of the Progressives in the West may have been the upturn in the economy which began in the mid-1920's. This upturn seems to have been sparked by two factors. First, in Canada generally there were a number of growth areas in export markets, such as pulp and paper, which spurred investment and created new employment.[51] Secondly, international markets for key field crops improved while good crop years increased yields throughout most of the West. As a result exports of wheat rose from a 1919 low of 92.5 million bushels to 185 million by 1921, 324 million by 1925 and an incredible record of more than 407 million bushels by 1928.[52] The production of wheat in Canada that year amounted to 566,726,000 bushels. Overall the return of good weather and strong overseas markets made wheat by far Canada's most important export through the 1920's. Throughout most of the decade Canada was the largest wheat exporter in the world accounting for approximately 40% of the world total.[53]

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[49]W.L. Morton, *The Progressive Party in Canada* (Toronto, 1950), 62

[50]Agrarianism was probably represented in its most extreme form by Henry Wise Wood and the United Farmers of Alberta's concept of 'group government.' See Carl F. Betke, "Farm Politics in an Urban Age: The Decline of the United Farmers of Alberta after 1921," in Lewis H. Thomas, *Essays on Western History* (Edmonton, 1976)

[51] A.E. Safarian, *The Canadian Economy and the Great Depression*, 32-39

[52]D.B.S. *Canada, 1931*

[53]W.A. Mackintosh, *Economic Problems of the Prairie Provinces*, 15. By 1927 Canada's wheat prodcution wa the third highest in the world, behind the U.S. and U.S.S.R., both of which consumed a greater portion domestically.

Table 2
Major Canadian Exports, 1929

| Category | $ | % total exports |
|---|---|---|
| Wheat | 428,524,326 | 31.0 |
| Printing Paper | 142,343,064 | 10.5 |
| Wheat Flour | 65,117,779 | 4.7 |
| Planks and Boards | 47,663,849 | 3.5 |
| Wood Pulp | 44,895,717 | 3.3 |
| TOTAL: | 1,363,586,672 | |

Neither the post-war slump nor the rise of other industries had altered Canada's dependence on the wheat economy. Wheat provided the major source of exports while increasingly prosperous and numerous western farmers provided markets for eastern manufacturers. Western farmers net income had surpassed $350 million by 1928 while every one of the western provinces had a per capita income higher than the national average throughout the last half of the 1920's.[54] Yet the western Canadian economy hovered on the edge of disaster. With that disaster an era of Canadian economic development would come to an end while the western position within the nation would be significantly altered. The structure of the economy which proved so vulnerable and which had resulted from a consistent developmental policy stretching back to Confederation is worth assessing in more detail.

Perhaps the most distinctive feature of western Canada by the later 1920's was that it was the creature of years of rapid development. It is possible to talk of a thirty year boom in western development, stretching from 1899 to 1929, though interrupted by temporary recessions This generation of boom had transformed the West, increasing population from 598,000 at the turn of the century to nearly 3,000,000 by the end of the 1920's.[55] Thousands of acres of farmland had been put under the plough as agriculture developed at dramatic rates. As the West filled its urban centres expanded to keep pace. As of 1901 only Winnipeg could truly have been called a city in Western Canada and even it had a modest population of 42,000. By the end of the 1920's Winnipeg's population had surpassed 200,000 while other

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[54]Buckley and Urquhart, *Historical Statistics of Canada*, L83-87; Economic Council of Canada, *Performance and Potential. Mid-1950's to Mid-1970's* (Ottawa, 1970), 37
[55] Canada Year Book, 1931

centres such as Calgary (83,500), Edmonton (79,100), Regina (53,209) and Saskatoon (43,200) had emerged as major trading and population centres. Most spectacular, however, was Vancouver. A city of only 13,000 in 1891 it had grown to become Canada's third largest city by 1931 with a population of 275,000.[56]

The growth of cities reflected the fact that the West, like the rest of Canada, was becoming more urbanized. British Columbia was more urban than rural by 1931 and Manitoba was about evenly split between urban and rural residents. The importance of Vancouver and Winnipeg to the respective provincial economies hastened the urbanization process and provided further economic stimulus as construction responded to the movement of population.[57] In Saskatchewan and Alberta, however, the cities remained tributary to the countryside. Nearly two thirds of the population of these provinces were designated as rural by the 1931 census.

These differences in urbanization point to another important aspect of western Canada by the end of the 1920's. There was significant variation within the western economy. As tables 3 and 4 indicate, while agriculture predominated in the West it was much more important to Alberta and Saskatchewan than it was to British Columbia or Manitoba. Not surprisingly, British Columbia stands somewhat apart with a diversified economy in which forestry, mining and manufacturing all played an important part. At the other end of the spectrum Saskatchewan remained totally dependent on agriculture. While Alberta possessed a significant mining sector its manufacturing output was strong only compared to Saskatchewan. Perhaps the most interesting province is Manitoba where agriculture had ceased to dominate. As the metropolitan centre of the West, Winnipeg had captured an important amount of manufacturing and distribution activity. The extremely low manufacturing figures for Saskatchewan imply that even the local market there was largely dominated by Winnipeg. Alberta seems to have been more independent.

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[56] *Ibid.*, 1941, 112

[57] By 1931 there were 12,500 more people than in 1921 in construction in Manitoba and British Columbia. *Census of Canada, 1921, Vol. I; 1931, Vol. VII.*

Table 3
**Net Value of Production**
**1927-1929**
(Total: thousands of dollars)

| Sector | Man. | Sask. | Alta | B.C. |
|---|---|---|---|---|
| Agr. | 302,041 | 902,824 | 674,768 | 124,303 |
| For. | 18,350 | 11,127 | 24,157 | 246,662 |
| Fish | 7024 | 1640 | 2170 | 73,758 |
| Furs | 4017 | 5580 | 6019 | 4669 |
| Mining | 12,500 | 5428 | 96,580 | 193,460 |
| Elect. | 17,717 | 11,297 | 11,907 | 29,921 |
| Constr. | 56,062 | 50,993 | 42,290 | 89,882 |
| Repair | 20,460 | 17,055 | 17,273 | 22,713 |
| Manuf. | 171,537 | 54,066 | 91,005 | 163,127 |
| Total | 609,708 | 1,060,010 | 966,169 | 948,495 |

The variation between provincial economies would be important in the depression years but several points should be made concerning the western economy as a whole First, agriculture remained the most important economic activity of the West, accounting for 55% of the net value of production for the four western provinces, two thirds of net value of production of the prairie provinces and employing a majority of the work force.[31] Secondly, in spite of some diversification, the West's dependence on export oriented primary resources was obvious. Even British Columbia derived almost 79% of its net value of production from primary resources. Only Manitoba was at all at variance with this pattern and even there many of the manufacturing and service positions were highly dependent on a healthy primary sector. Finally, for all the discussion about the national policy which had engaged the west over the past decades there was no indication that this dependence on primary resources and relative lack of diversification was seen as a problem. The reason for this lack of concern about the region's dependence on a few key primary resources becomes clear when it is realized that the Province that had grown the most in the past thirty years and which had the largest population in the West, Saskatchewan, was also the least diversified. Conversely the province with the most significant manufacturing sector had grown the least. Western economic growth had simply followed the dictates of comparative advantage.

Table 4
**Net Value of Production**

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[31] Census of Canada, 1931, Vol. 7, 710-736

**1927-1929 Total**
(percentage of Prov total)

| Sector | Man. | Sask. | Alta. | B.C. |
|---|---|---|---|---|
| Agr. | 49.5 | 85.2 | 69.8 | 13.1 |
| For. | * | * | * | 26.0 |
| Fish. | * | * | * | 7.8 |
| Mining | * | * | 10.0 | 20.4 |
| Constr. | 9.2 | 4.8 | 4.4 | 9.5 |
| Repair | 3.3 | * | * | * |
| Manuf. | 28.1 | 5.1 | 9.4 | 17.2 |

(* Categories with less than a 3% share)

**The Great Depression, 1929-1939**

The collapse of the industrialized world in 1929 is one of the most studied and debated events in economic history and the causes can thus be given only a general summation. Rapid expansion of productive capacity seemingly outstripped demand in leading industrial nations while stock market behaviour created further instabilities due to excess optimism. Over-valuation of certain key currencies and a generally fragile international monetary system added to the problem. All of these factors, in turn, partly reflected and were certainly exacerbated by the tremendous economic and financial shifts which had taken place as a result of the First World War and subsequent treaty agreements. Thus when in 1929 the New York stock market began to falter it signalled a major downturn The collapse of major financial institutions in the wake of that downturn turned the depression into one of the most severe in the history of the modern world. By the time the cycle reached bottom in 1932-33 many were convinced that the industrial world was in a permanent state of excess capacity and high unemployment.

In western Canada various factors combined to give the depression especially great force. In fact, in Canada, the West led the way into the depression. The growing wheat exports which had sparked western prosperity in the later 1920's were showing signs of being vulnerable even as the region experienced record exports in 1928. Wheat production in the world had increased 25% within five years and there was a glut developing on the international market. In 1928 the carryover of Canadian wheat reached an ominous 91,000,000 bushels and world prices, which had been

slipping ever since 1926 began a serious downward trend in 1929 while the carryover increased to 127,000,000 bushels.[59] Long before the collapse of the New York stock market western Canada headed into a recession. (see Appendix A) From there the bottom fell out as wheat continued to decline on international markets until No. 1 Northern, which had been worth $1.51 a bushel in 1925 was worth only 34 cents at one point in 1933.

By cruel coincidence the collapse of the international wheat market was paralleled by a series of years of bad weather in the Canadian west. Here again the problem preceded the onset of depression nationally. In 1929 the average yield in wheat across the prairies fell to less than half of what it had been the year before.[60] Throughout the thirties bad crop years continued as drought, hail, disease and grasshoppers devestated thousands and then millions of acres.[61] The combined effect of low yields and low prices destroyed the main livelihood of the prairie provinces. Realized net farm income plunged from $363 million in 1928 to *minus* $10.7 million only three years later.[62] Unfortunately, the volatility of farm earnings was not matched by an equal flexibility in farm costs. Costs did fall to a degree as a result of national deflation but this drop did little to compensate for the fall in income. One writer has estimated that "the purchasing power of a bushel of wheat during the lean years between 1931 and 1935 was only 46.4% of what it had been between 1926 and 1930."[63] That was assuming that one could grow any wheat at all.

The position of the farmers was made still worse by the effects of the boom which had preceded 1929. In spite of the post-war recession, farmers remained optimistic as to long term prospects for the region. Investment in both land and equipment was heavy through the 1920's as the agricultural sector responded to

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[59] D.A. MacGibbon, *The Canadian Grain Trade*, 6
[60] *Ibid.*
[61] James Gray, *Men Against the Desert* (Saskatoon, 1967) provides one of the best descriptions of the disastrous circumstances faced by the farmers in the Palliser's triangle
[62] Buckley and Urquhart, *Historical Statistics of Canada*, L83-87
[63] D.A. MacGibbon, *Canadian Grain Trade*, 8. See also Buckley and Urquhart, *Historical Statistics of Canada*, L88-97 on farm costs.

economies of scale and potential efficiency through mechanization.[44] As with any business this investment was financed to a large degree by increased debt. These high debt charges meant that when revenue declined in the 1930's the farmer was that much harder pressed to maintain his farm.[45] Movements to reduce or cancel debt charges and to prevent foreclosures became politically popular throughout the West as the depression continued.

As a region that, as it was put at the time, "lives, works, and thinks in terms of wheat" it was not surprising that the collapse in farm income led to a general collapse in the regional economy.[46] Non-farm unemployment rose as markets disappeared. Construction effectively disappeared and provincial governments found it difficult to maintain services in the face of declining tax revenues and rising relief costs. For municipalities it was worse and in parts of southern Saskatchewan practically the whole population sought relief from local councils that were quickly pushed to the edge of bankruptcy.

Table 5
**The Depression: Economic Indicators**
**1932 as a Percentage of 1928**[47]

| | |
|---|---|
| Cash Income for wheat (prairies) | 18.6 |
| Net Income of Farm Operators (prairies) | 4.8 |
| Value of Construction (West) | 21.0 |
| Mineral Production (Net Value-West) | 57.5 |
| Retails Sales (West) | 53.7 |
| Disposable Income | 69.0 |

The drop in the various economic indices is hardly surprising but two points should be emphasized concerning the economic decline in western Canada. (See

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[44]One set of figures indicates that the average farm size increased some 30% between 1916 and 1931. See V. Fowke, *The National Policy and the Wheat Economy*, 73
[45]Province of Saskatchewan, *A Submission by the Government of Saskatchewan to the Royal Commission on Dominion Provincial Relations*, 190-191 has figures on farm indebtedness for parts of that province
[46] W.A. Mackintosh, *Economic Problems of the Prairie Provinces*, 189
[47]Figures derived from *Canada Year Book* 1929,1933; D.B.S. 13-201 *National Accounts Income and Expenditure, 1938-1956*; D.B.S. 25-501,*Canadian Mineral Statistics*; Buckley and Urquhart, *Historical Statistics of Canada*

Appendices A & B) First, the West suffered not only an absolute drop in economic activity but a relative one as well. The region which had been the centre of growth for Canada since the turn of the century now entered a period of declining significance economically and politically. Secondly, these generalizations about the collapse of the western Canadian economy mask very real differences in the nature and severity of the decline in the region. Generally, two economic relationships were important. First, the less dependent an area was on wheat the less it suffered. Second, and related, the more diversified the region the less it suffered. British Columbia, the most fortunate western Province through the 1930's, actually saw its position relative to the rest of Canada improve in the early years of the depression. In terms of per capita income, B.C. maintained its traditionally strong position, remaining in the top two throughout the 1930's. In contrast Saskatchewan suffered the greatest relative and absolute decline. That Province, the most populous and wealthy in the West in the late 1920's, became the poorest in the 1930's with a per capita income among the lowest in Canada.[45] Alberta also suffered a sharp decline though better weather and the presence of some mineral production offered it at least minimum protection. The effect was profound enough that the impact of the depression altered the relative position of the prairie provinces over the long term. In terms of both population and production British Columbia began its rise toward dominance in the West during these years while Saskatchewan saw its years of dramatic growth turn into net out-migration. While British Columbia's population increased more than 120,000 between 1931 and 1941, Saskatchewan's decreased by 25,000. That decline would continue through the 1940's and 1950's.[46]

The aggregate data gives little impression of the emotional impact which the depression had on the prairies. Thousands of families found themselves ruined financially and powerless before the economic and climatological disasters which beset

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[45] R. Howland, *Some Regional Aspects of Canada's Economic Development (Ottawa, 1957), 65*

[46] This decline was, of course, not evenly distributed across Saskatchewan. The areas within the Palliser's triangle saw the greatest loss of people with 6 census divisions in southern Saskatchewan declining in population between 1931 and 1936. On the other hand many northern areas grew in population. *Census of Canada for the Prairie Provinces*, 1936, Vol 1

them. What made it worse was the historical tradition which had argued that the West was essential to Canadian development and which portrayed national growth as a product of western growth. There was almost a sense of betrayal, however emotional rather than reasoned, toward a nation that seemed willing to let those who had built so much fall into ruin. Nor did there seem much chance to take action politically. Another hard fact of the depression for the westerner was that it made a long term trend toward growing political power to an abrupt halt. As immigration ceased and emigration began the West's representation in the House of Commons declined. (See App. B) Each new census brought less rather than more power to the West compared to the nation as a whole. Out of the economic and political sense of powerlessness western alienation again increased. New parties and radical solutions were sought by a region that seemingly had little to lose.[70]

Throughout the West the response to the depression took several forms. In British Columbia Premier Duff Patullo launched the 'Little New Deal' while in Alberta the Social Credit party of William Aberhart rode to power on the promise of monetary reform and social dividends. In other provinces governments fell or were forced to realign themselves in order to escape voter wrath. Generally, however, the provinces were severely limited in what they could undertake for a combination of constitutional and financial reasons. Constitutionally, provinces in Canada had been made responsible for education, social welfare and health care under the British North America Act. None of these areas were seen as major responsibilities at the time of Confederation but by the inter-war period they were becoming major budgetary items. In the 1920's provinces found themselves increasingly hard pressed to devise new sources of revenue to meet the growing demands of the public. A further burden was put on the Provinces with the arrival of the automobile and the demand for more and better highways. In the West with widely dispersed population and, in the case of British Columbia, extremely difficult geography, the problems were even greater. Only two things allowed the provinces to maintain an adequate level of services within a

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[70]Roger Gibbins, *Prairie Politics and Society. Regionalism in Decline* (Toronto, 1980) provides a detailed analysis of the political figures which parallel the economic ones.

tolerable level of taxation in the 1920's. First, new sources of taxation appeared, such as motor vehicle licensing and gasoline sales, which became major revenue sources for the western provinces. Secondly, the provinces, especially school boards, used bond issues to a large degree to defer the burden of new services to a future period. The result was, of course a considerable rise in debt charges but the assumption was that continued growth would make these charges insignificant over time.[71]

With the arrival of the depression the already strained financial resources of the prairie provinces became totally inadequate. Revenues declined and costs rose. Most dramatic were the rising costs of relief. Until the 1930's relief had depended on a combination of private charity and municipal support resting on property taxes. The unemployment rates of the depression left the municipalities unable to cope and the provinces were forced to step in only to find before long that they needed Ottawa's assistance. As with other aspects of the depression, the situation was more severe in the West than elsewhere. The four provinces with the highest burden of relief in the nation were the four western provinces and Saskatchewan was estimated to have a burden of relief three times as great as the national average.[72] In that province the costs of relief rose from $5.9 million in 1930 to $62.3 million by 1937. Relief costs were, by the latter date, greater than the total revenues for the province.[73] Though Saskatchewan provides by far the most dramatic example every western province was faced with sufficient financial difficulties that only the most immediate and pressing problems could be dealt with. There were not sufficient financial resources to provide large scale economic recovery or counter-cyclical programs.

Though the federal government had a broader financial base it was not much better able than the provinces to deal with the demands of the depression. There was serious political and public concern about the rising debt of the federal government

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[71] Two of the best sources for the state of provincial financial affairs are Canada, *Report of the Royal Commission on Dominion-Provincial Relations, Book 1* (Rowell-Sirois Commission (Ottawa, 1937) and two works by W.A. Mackintosh, *The Economic Problems of the Prairie Provinces* and *The Economic Background to Dominion-Provincial Relations*

[72] Rowell-Sirois Commission, *Report, Book 1* (Ottawa, 1937), 164, Table 58

[73] *Ibid.*, 169 Significant percentages of relief costs towards the end of the period were assumed by the federal government

through the 1930's, occasioned largely by falling tax revenues and losses on the Canadian National Railway system. The farmers were not the only ones who faced variable income and fixed costs. Moreover, the relief expenditures of the federal government, largely non-existent before 1930, became a major drain on the treasury as the depression went on. By 1935 federal relief expenditures amounted to $60 million and consumed one tax dollar in six.[74] Relief expenditures were but emergency stop-gaps however. In terms of programs for recovery the federal government concentrated its efforts in western Canada on rehabiliting both the markets and yields of the wheat economy. A 1932 wheat agreement with the United Kingdom was followed the next year by a multi-lateral agreement. Neither did much to improve the situation. More significant was the re-creation of the Canada Wheat Board in 1935, though it was severely limited in its powers until World War 2.[75] Also important was the passage of the Prairie Farm Rehabilitation Act the same year in order to deal with farming techniques, erosion and pest control in the hard hit prairie provinces.[76] It would take time for the P.F.R.A. to deal with the major problems that had developed, however, and its benefit to the prairie provinces was long rather than short term. The federal government, as with the Provinces, found itself awaiting the return of better weather and the improvement of international conditions.

It was against this background of fiscal difficulty, personal tragedy and governmental impotence that the Dominion government appointed the Royal Commission on Dominion Provincial Relations (Rowell-Sirois Commission) in 1937. The submissions to the Commission became a lightning rod for national concerns and discontent.[77] The western sense of grievance and hopes for change were neatly contained in four provincial briefs which reveal a remarkable unity of outlook on the part of the region and which rested variously on indisputable fact, historical grievance and regional myths. The arguments invariably began with the obvious point that there were serious regional

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[74] *Canada Year Book*, 1946, 890-891
[75] D.A. MacGibbon, *The Canadian Grain Trade*, 22-28, 33-37
[76] Statutes of Canada, 25-26 Geo. VI, C. 23. James Gray, *Men Against the Desert* details many of the activities of the PFRA in the thirties.
[77] Technically, Alberta refused to submit a report to the Commission which it refused to recognize but wrote instead to the "sovereign people of Canada." Nor should the unanimity of grievance be taken to imply equal unanimity in remedies

imbalances existing within Canada. It was a very easy statement to prove in the 1930's. The argument then continued by stating that at the very least national policies, "which cannot be regarded as other than oppressive", exacerbated these imbalances."[78] There was also a definite, if implicit, belief running through the reports that these national policies had deliberately fostered the regional imbalances. British Columbia, for example, concluded that it was "hampered by the national policy of Canada, which has emphasized the development of manufacturing industries in the East at the expense of primary industries."[79] The desperate financial position of both governments and populace in western Canada was thus seen as but an immediate and dramatic expression of the longer term tendency of national policies.

Specifically, the western submissions focussed their sense of injustice on three areas of federal policy. First, a strong attack was launched on a freight rate structure which responded to water based alternatives in the east while charging what the traffic would bear in western Canada.[80] The disadvantages of geography were less costly, it was argued, than the disadvantages imposed by manmade railway policy. Secondly, though lands and natural resources had been turned over to the prairie provinces in 1930 there was a strong feeling that the long retention of these resources by the Dominion had imposed costs on the provinces and that the compensation provided by the Dominion had been inadequate. Once more the desperate state of the West was portrayed as, at least in part, the result of long term national policies.

Finally, the western provinces focussed on what they saw as the heart of national policies, the protectionist tariff. Every western government pointed to the disadvantage they faced when "everything is bought in a protected market and everything is sold on a free market."[81] Of course, as has been pointed out, the West was settled under the protective tariff system and those who made investment

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[78] *Submission of the Government of Saskatchewan*, 1
[79] Province of British Columbia *British Columbia in the Canadian Federation*, (Victoria, 1938), 273
[80] *Submission of the Government of Saskatchewan*, 207-208; *British Columbia in Confederation* 299-302
[81] *Submission of the Government of Saskatchewan*, 10

decisions did so in a full awareness of the costs of the tariff. [32] In the depression, however, the problem was not just the existence of a protective tariff but the movement to greater protection. Between 1928 and 1936 ad valorem tariff rates on manufactured goods increased by a full 9 percentage points, 21 percentage points on textiles, and 19 percentage points on furniture.[33] That the tariff should be increased when the Provinces which bore the burden of protection were so devestated by depression was especially exacerbating to all western provinces. Saskatchewan summed it up with the biblical quotation that "for he that hath to him shall be given and he that hath not, from him shall be taken even that which he hath."[34]

Generally, federal and provincial government responses to the depression were predicatable. A long standing sense of grievance was, understandably, made worse by the harshness of the depression in the West. In response, provincial governments looked to those national policy factors, freight rates and tariffs in particular, which seemed to put their region at a disadvantage. Federally, the government looked to a solution within the traditional national policy framework. As has indicated, tariffs were actually raised in the manufacturing sector in order to protect a shrinking domestic market. On behalf of the West attempts were made to form agreements to expand the sale of its traditional primary resources, especially wheat. Also, both federal and provincial governments tried to improve the efficiency of the primary resource sector by a series of measures of government instruction and assistance such as the PFRA. Also, both levels of government recognized the necessity for some rearrangement of financial resoures and social responsibilities in order to ensure that in future crises, government would be able to provide the necessary assistance to at least ameliorate the social and personal hardships occasioned by rapid economic decline.

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[32] K.H. Norrie, "The National Policy and Prairie Economic Discrimination," in D. Akenson *Canadian Papers in Rural History*, Vol 1. (Gananoque, 1978); V. Fowke *The National Policy and the Wheat Economy*, 66-67

[33] Rowell Sirois Commission, *Report*, Book 1, 157. See also Province of Manitoba, *Manitoba's Case. A Submission Presented to the Royal Commission on Dominion-Provincial Relations*, Part IV (Winnipeg, 1937), 15

[34] *Submission of the Government of Saskatchewan*, 229

More uncertainly and more cautiously another theme began to surface as the 1930's went on. The various high quality economic studies of the decade, such as those under the Frontier of Settlement Series and those done for the Rowell-Sirois Commission, repeatedly pointed to the vulnerability of an economy dependent on a few major export resources and in particular the vulnerability of those parts of the region dependent on wheat. This recognition of vulnerability led, really for the first time in western history, to serious expressions of concern for "balanced growth." There does not seem to have been any accepted view as to what balanced growth meant or how it should be achieved however. Some, as with the Saskatchewan C.C.F. party, would look to government ownership as a means of assuring a stronger secondary sector.[85] Others looked to the diversification of agriculture.[86] Still others were vague as to what should be done though unequivocal in their assertions that the federal government was partly to blame for the situation. It is not surprising that there were no easy solutions. Ever since Confederation the economy of at least the prairies had developed around the national wheat economy. That the concept of abandoning wheat as the fundamental resource of the West even surfaced is a sign of the desperation of the 1930's.

**The War and Post-war Period: Uneven Growth, 1940-1960**

The great depression finally came to an end in 1939-40. War production and the return of good weather in the Canadian and American wests allowed the recovery to take place. disposable income in the four western provinces increased approximately 40% in four years.[87] and by the time the war was over it would more than double. However, the wartime prosperity should not be taken as just another boom in the series of boom-bust cycles which had become typical of the west in recent years. Rather it marked the beginning of a new and especially complex era in western Canadian development in which old patterns broke down and new growth sectors emerged.

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[85] Richards and Pratt, *Prairie Capitalism: Power and Influence in the New West* (Toronto, 1979), 93-122
[86] W.A. Mackintosh, *Economic Problems of the Prairie Provinces*, 199-200
[87] Marr and Paterson, *Canada. An Economic History*, 427

This complexity of the war and post war years was the result of a number of economic factors on the national and international scene. Most importantly, the 1940's through 1960's were a period of strong growth in manufacturing in Canada, resulting first from war production and then from high levels of consumption and incomes in the post-war world.[88] The result was a shift in both investment and employment between sectors of the economy. After 1945 the secondary and tertiary sectors of the economy grew much more rapidly than the primary sector. Equally important was the uneven pattern of growth within the primary sector. Those areas related to the strong manufacturing sector of post-war years grew rapidly while other areas declined in importance. As a region oriented to primary resources the West was affected by both of these changes. Some parts of the region experienced rapid growth as they dealt in areas complementary to the industrial boom. Others faced a much more difficult period with slow growth and highly variable incomes.

Until World War 2 the key to western prosperity had been the prosperity of the agricultural sector generally and specifically of the wheat economy. Booms here had created rapid growth and high income while the collapse of wheat caused widespread misery and economic decline. The return of good weather and the recovery of crops after 1939 thus naturally led to the hope that wheat would once again lead the West into a period of growth and prosperity. It is a comment on the resiliency of the farming sector that after years of drought, lack of new equipment, erosion, and other problems some 540 million bushels of wheat were grown in Canada in 1940 and that farm income reached $586 million by 1942.[89] In fact, the farmers recovered too quickly. The closing of most of the markets of Europe by the summer of 1940 left Canada with a carryover of some 300 million bushels that year. This would rise to 595 million by 1943. In response the government introduced a series of measures to discourage wheat production, thereby fostering a 6 million acre reduction in the land sown to wheat.[90] Also, in 1943 it strengthened the power of

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[88] Robert Bothwell, Ian Drummond and John English, *Canada Since 1945*, 10-15
[89] D.B.S., 61-202 *Survey of Production 1938-1950*
[90] Orders in Council, April 30, 1941 #3047; Wheat Acreage Reduction Act, 1942 See also D. MacGibbon, *The Canadian Grain Trade*, 55; Canada. Royal Commission on the South Saskatchewan River Project, (Ottawa, 1952), 127

the existing Wheat Board by making it the sole agent for the sale of Canadian grain, a move supported by most farm groups. [91] The war thus marked the final movement to a fully regulated wheat marketing system in an attempt to provide orderly marketing and prevent the major price swings which had so characterized the industry in the past. Unlike World War One the government found itself unable to withdraw from the field at the end of the conflict and thus committed itself permanently to remaining involved in the marketing of wheat and, soon after, oats and barley as well. [92] The government meaures to encourage reduction in wheat acreage led farmers to turn to coarse grains, dairying and, most dramatically, hog farming through the war years. By the latter part of the war Canadian farmers had more than twice as many swine as compared to a 1935-9 average.[93] Economic self-interest, government regulations and patriotic concern had seemingly created the agricultural diversification which many saw as necessary for the preservation and development of the Canadian economy. By the end of the war only about one third of farm income on the prairies was derived from wheat.[94]

Table 6

**Wheat as % of Total Farm Income** [95]

| Year | Manitoba | Saskatchewan | Alberta |
|---|---|---|---|
| 1941 | 30.0 | 49.7 | 34.8 |
| 1942 | 18.8 | 32.7 | 25.9 |
| 1943 | 21.5 | 35.8 | 21.0 |
| 1944 | 30.3 | 54.0 | 36.2 |
| 1945 | 26.0 | 47.8 | 30.8 |
| 1946 | 32.0 | 49.3 | 35.4 |
| 1947 | 26.2 | 46.2 | 33.4 |
| 1948 | 24.3 | 46.1 | 30.3 |
| 1949 | 32.4 | 53.5 | 36.2 |

The presence of government in the wheat market and a degree of diversity within the agricultural sector gave some hope that there would not be a return to depression conditions after 1945. The government, for its part, sought to stabilize farm returns by means of a major wheat agreement immediately after the war. By

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[91] MacGibbon, *Canadian Grain Trade*, 63-64
[92] *Statutes of Canada*, 1947, c 15
[93] *Canada Year Book, 1946*, 230
[94] Canada. Royal Commission on the South Saskatchewan, 127
[95] Figures from J.C. Stabler, *Prairie Regional Development and Prospects* (1968) App. 2-2 through 2-4

contracting to ship an average of 150 million bushels of wheat a year to the United Kingdom over four years the government both assured the farmer some consistency of return for his crop and, incidentally, encouraged a return to concentration on wheat.[96] Aside from the return to wheat the prospects of stability and even growth encouraged the Canadian farmer to reinvest in farm equipment which had been allowed to fall into disrepair through the depression years. The conversion to mechanization which had begun in the 1920's was now completed. Between 1941 and 1951 more than 100,000 tractors and 60,000 trucks were added to the prairie farm.[97] The greatest transformation, however, came with the acceptance of the combine as a necessary part of prairie grain farming. Improving financial returns meant that farmers were able to increase their ownership of combines from a meagre 18,000 in 1941 to 116,000 by 1956.[98] Mechanization to this degree increased output per capita, created the potential for economies of scale and soon allowed the western farmer to achieve a per capita income at or near the national average.[99]

In spite of the impressive recovery which agriculture made in the 1940's there were very serious obstacles to using farming as a basis for economic growth in the post-war world. The very increases in production brought about by mechanization and increased use of fertilizers meant that either new agricultural land would have to be developed and new markets found or there would be a displacement of farmers and farm labourers. The demand for food is, however, relatively inelastic and the post-war years saw a limited growth in world wheat consumption. By the later 1940's this slow demand was exacerbated by an increasingly competitive international market. Most importantly, the United States, concerned with its own excess production, provided subsidy and credit arrangements which seriously cut into traditional Canadian markets.[100]

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[96] On the United Kingdom agreement see D.A. MacGibbon, *The Canadian Grain Trade*, 121 and Charles Wilson, *A Century of Canadian Grain* , 846-885

[97] Robert Ankli, H.D.Helsberg, John Thompson, "The Adoption of the Gasoline Tractor in Western Canada," in D. Akenson, *Canadian Papers in Rural History-II (Gananoque, 1980)*

[98] Buckley and Urquhart, *Historical Statistics of Canada*, L 330-336

[99] J.C. Stabler, *Prairie Regional Development and Prospects*, 41 indicates a long term per capita income level at 99% of the Canadian average, 1941-1966.

[100] Canada. *Report of the Royal Commission on Canada's Economic Prospects* (Ottawa, 1957), 151, 158

Wheat prices, which had risen to $2.05 a bushel by 1949 fell back to less than $1.80 by the mid-1950's while exports remained static.[101] Western agriculture seemingly faced a situation of chronic over-production, and most government observers felt that both the long and short term required the curtailment of wheat production in Canada. The City of Calgary summed up the concerns over agriculture in 1955 when it commented that "It would appear that we cannot go on producing wheat crops ad infinitum....Not any more than we can produce any other product eternally with no regard to the limitations of the available market."[102] Another problem with a dependence on agriculture was the high variability of income which had always plagued the industry. Saskatchewan, still the most agricultural of the prairie provinces clearly reflected the difficulties of a dependence on the agricultural sector. Appendix A, which is in terms of percentages of national net value of production and thus tends to diminish fluctuations due to general cyclical factors, clearly reveals the continued instability in the provincial economy after 1940. As the Dominion Bureau of Statistics summarized it in 1950, "throughout the period, fluctuations in the total value of production and the value of agricultural output paralleled each other closely."[103] The Wheat Board, insurance schemes and co-operatives seemed unable truly to dampen the swings inherent to agricultural production.

Finally, the most serious problem for a region dependent on agriculture was simply that after 1945 the main growth was elsewhere. Industrial production was producing a greater and greater percentage of new employment and that production was increasingly being concentrated in central Canada .[104] By the early 1950's the dynamic industrial sector also possessed a faster rising rate of real income than agriculture. [105] This fact, the uncertainty of agricultural returns, the high cost of starting a farm and the stagnant demand for agricultural produce led to a flow of population

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[101] *Canada, 1951. Canada, 1961*
[102] City of Calgary, *Submission to the Royal Commission on Canada's Economic Prospects* (November 1955)
[103] D.B.S., *Survey of Production, 1938-1950*, 23
[104] R. Howland, *Some Regional Aspects of Canada's Economic Development* (Ottawa, 1957), 81. D.H. Fullerton and H.A. Hampson, *The Canadian Secondary Manufacturing Industry* (Ottawa, 1957), 198
[105] Economic Council of Canada, *First Annual Review*, 141

from agriculture to other sectors of the economy. Between 1936 and 1951 the number of farmers on the prairies decreased by more than 140,000. By 1961 another 60,000 would leave.[106] In sum then, while agriculture had recovered from its disastrous state of the 1930's and, with sound management and efficient technique could offer a good return to many farmers, it was not a growth sector and it would offer employment for only a declining percentage of the Canadian population.

Prairie politicians were very aware of the problems inherent in agriculture. Memories of the depression shaped attitudes and policies as the search continued for a way of guaranteeing against a recurrence of 1929. Certain repeated themes crop up in this search but, with the qualification that little detailed research has yet been done on this era, it would appear that there was a certain evolution in prairie thinking in the period 1945-1960. Initially, governments tended to look, as they had in the 1930's, to the stabilization of agricultural income. "Stability of agricultural income," argued the Premier of Saskatchewan in 1945, "requires that we minimize violent fluctuations in production and price level."[107] Price supports, orderly marketing and a lowering of the costs of key factors like transportation were emphasized. There was, in other words, a continued search for regional prosperity within a basically agricultural framework though public works "shelves" and other government measures were seen as useful counter-cyclical mechanisms. As the pattern of post-war development became clearer, however, it was apparent that even if the fluctuations in agricultural income could be removed, the industry would not match the rate of growth of manufacturing in terms of either job creation or income per capita. Consequently any region heavily dependent on agriculture would continue to fall behind Ontario and Quebec. Thus, by the mid-1950's more and more cries were being heard for national policies that would divert industrial development from central Canada to other parts of the nation.[108]

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[106] *Census of Canada, 1951, Vol. 4; 1961, Vol. 2*

[107] Public Archives of Alberta, Premiers' Papers, File 1200, "Address of the Premier of Saskatchewan to the Dominion-Provincial Conference on Reconstruction,August 6, 1945

[108] Clear indications of this attitude are given in the submissions of Manitoba and Saskatchewan to the Royal Commission on Canada's Economic Prospects. See Province of Manitoba, *Prospects for Development in Manitoba* (Winnipeg, 1955), 101 and Province of Saskatchewan, *Prospects for Economic Growth in Saskatchewan* (Regina,

[108] At the same time the realities of geography and the limited success of Saskatchewan experiments designed to encourage secondary manufacturing did mean that there was a recognition of the problems of inducing manufacturing into a region far away from population centres,especially given the continuation of what was still felt to be an iniquitous freight rate structure. [109] Any plan to diversify the western economy, therefore, seemed to involve a modern variant of the staples thesis. Growth areas in the primary sector had to be encouraged to develop in such a way that related processing and refining would take place in the area. This development, in turn, would create capital investment and skilled employment, encourage population growth and, over time, create additional secondary industry in response to a growing local market. It is an approach to economic development in western Canada which has remained central to the present day.

Part of the reason for the popularity of the 'resource industry' concept may have been that it already seemed to have succeeded in one western province. The strengths implicit in the British Columbian economy which had been apparent in the troubled depression years became even more apparent with the recovery of the 1940's. World War 2 marked the beginning in that province of what can only be termed a 'sustained boom', lasting through the 1960's. War production boomed in the province after 1940 with Vancouver in particular benefitting as a centre of war related manufacturing and ship building. [110] By 1944 the province's net value of production had doubled from 1939. It redoubled between 1945 and 1951, reaching 1.2 billion dollars.[111] The degree of boom indicated by the production figures is reinforced by those on population growth. Between 1941 and 1951 British Columbia grew at a faster rate than any other province in Canada. Between 1931 and 1951 it developed from being the least populated western province to being the most

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[108](cont'd)1955), 12-14. Canada, Royal Commission on Canada's Economic Prospects,*Hearings at Winnipeg, Nov 15 16, 1955; "Submission of the Manitoba Urban Association," 1348. Province of British Columbia. Submission by the Province of British Columbia*, 18-19

[109] On the Saskatchewan experiments see Richards and Pratt, *Prairie Capitalism*, 93-143

[110] R. Bothwell, "Will Saskatoon Get Its Share," unpublished paper presented at Western Studies Conference, Banff Alberta, 1981

[111] D.B.S., *Survey of Production*, 29

populated at more than a million people. (See Appendix B) [112] And although the province had a relatively high rate of unemployment, wage levels demonstrated the reason for the in-migration. Only Ontario could compete with it in terms of per capita income and, from the late 1940's through mid-1950's, British Columbia held a clear lead over Canada's industrial heartland. [113]

Like that of Ontario, British Columbia's manufacturing sector grew dramatically, increasing fivefold between 1939 and 1951. [114] By the latter date it employed well over 70,000 people. [115] Unlike Ontario, however, most of this manufacturing was closely tied to primary resource industries. While, for example, nearly 50% of the province's net value of production was derived from the manufacturing sector in the post-war years, one estimate concluded that only about 17% of net value came in the form of secondary manufacturing.[116] The key to the province's growth in the post-war period was thus not a move away from primary resources as such but rather the development of those resources along with closely related processing industries. Changing utilization of the resources as well as the ability of local and international entrepreneurs to capture potential markets were central to this shift.

Table 7
(British Columbia: Major Sectors of Employment, 1941, 1951, 1961[117]
(percentages)

| | 1941 | 1951 | 1961 |
|---|---|---|---|
| Agriculture | 13.2 | 6.5 | 4.3 |
| Fishing and Tr. | 3.0 | 1.2 | 0.8 |
| Logging | 4.5 | 4.3 | 3.9 |
| Mining | 3.5 | 1.7 | 1.5 |
| Manuf. | 15.0 | 16.6 | 21.0 |
| Constr. | 6.2 | 6.7 | 6.8 |
| Transport | 9.4 | 11.7 | 11.7 |
| Trade | 10.3 | 11.7 | 18.4 |
| Service | 19.2 | 20.3 | 23.0 |

The most important example of changing uses of a natural resource and high war and post-war demand comes in the forest industry. In both Canada and the

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[112] *Canada Year Book*, 1968, 191
[113] Economic Council of Canada, *First Annual Review*, 26. Though it is likely that B.C. also had a relatively high cost of living.
[114] D.B.S., *Survey of Production, 1938-1956*.
[115] *Census of Canada, 1951*, Vol. 4, Table 2-6
[116] R. Howland, *Regional Aspects of Canadian Economic Development*, 19
[117] Census of Canada, 1941, 1961

United States war production demands were followed by an unprecedented construction boom as family formations (and births) increased in the post-war years. In Canada alone the value of construction contracts rose from less than $300 million in 1944 to more than $1.1 billion five years later and British Columbia benefitted accordingly. By the 1950's almost half of the province's manufacturing employment was in some forest related industry. [118] Fish canning and mineral processing, though smaller industries, also showed a dramatic increase in the number of workers in related manufacturing processes.

A slightly different example of rapid growth comes from Alberta. Unlike British Columbia, Alberta had not shown a great deal of resistance to depression and in the war years it recovered more slowly than either B.C. or central Canada. Instead, it showed a pattern of fluctuations similar to that of Saskatchewan and like Saskatchewan, seemed largely dependent on the volatile agricultural sector. More than half of its net value of production and almost half of its population depended directly on agriculture at the end of the war.[119] Early post-war trends revealed a province that was growing more slowly than the national average in terms of both population and production. (See Appendices A & B) What changed the economic direction of Alberta was, of course, the discovery of oil at Leduc in 1947 and subsequent and larger discoveries at Redwater. From the small oil production of the mid-1940's, Alberta's annual output rose to 46 million barrels a year by 1951 and more than 100 million barrels by the mid-1950's [120] Total mineral production increased in value from $17.7 million to $325 million in the same period.[121] The construction of a series of pipelines to Montana (1951) and Sarnia, Vancouver and Portland (1952) stimulated this production.

Given the importance of Alberta's oil and natural gas to both the local and national economies in recent years it is worth noting that in the later 1950's two economists estimated that the impact of oil on the Alberta economy was not likely to be that significant. The high percentage of foreign ownership, low direct employment

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[118] *Census of Canada*, 1951, 1961
[119] *Census of Canada*, "The Prairie Provinces," 1946, Vol. 2, 603
[120] D.B.S., 26-006, "Canada's Petroleum and Natural Gas Production."
[121] D.B.S. 26-501, "Canadian Mineral Statistics"

and lack of strong linkages to the manufacturing sector all led them to the conclusion that "the local repercussions of the petroleum and gas development are likely to be distinctly limited."[122] With the advantage of hindsight one suspects they would alter their opinion. Even from the perspective of the later 1950's, however, such a conclusion is difficult to defend. All economic indicators in the province point to the conclusion that oil and natural gas was instrumental in redirecting the Alberta economy within a few years of Leduc.

Between 1931 and 1946 Alberta's share of the Canadian population was declining. Thereafter it began to increase, rising from 803,400 in 1946 to 1,332,000 by 1961. (Appendix B) [123]. Personal disposable income rose from $747 million in 1947 to more than double that within ten years. It was one of the fastest rates of growth in Canada.[124] The Province's share of net value of Production increased from 6.62% of the national total in 1945 to more than 9% by 1960. More figures could be given but the point is that in spite of a high degree of foreign ownership and in spite of the relatively low employment provided directly by the oil industry the boom provided Alberta with the necessary primary resource to attract capital investment, encourage construction and generally participate in the strong post-war growth years. Also, on the prairies where social capital had been so depleted by the fiscal difficulties of governments, the boom provided the province with sufficient revenues to improve both the infrastructure of roads and the social necessities of schools, hospitals and other publicly funded institutions. [125]

Also important was the degree to which oil and gas freed Alberta from a high degree of dependence on agriculture. Though agriculture remained the province's largest employer the mining sector (which included oil and gas) had as large a net value of production as agriculture by the mid-1950's. Before the end of the decade it would

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[122] Caves and Holton, *The Canadian Economy*, 215
[123] Province of Alberta, *Alberta Statistical Review Annual, 1980*
[124] D.B.S. 13-531, *National Income and Expenditure*
[125] In the early 1950's Alberta government expenditures tripled within a five year period. The explicit purpose was to undertake a reconstruction of provincial facilities. See Province of Alberta. *Report on the Economic Prospects of Alberta* See also for figures on expenditure, Buckley and Urquhart, *Historical Statistics of Canada*, G244-254

surpass agriculture by a significant degree.[126] Given that coal, Alberta's previously dominant mineral resource was in a period of sharp decline, oil and natural gas provided the only real alternative to agriculture within the economy in the short term.[127] When, in the mid-1950's a slump occurred in agriculture, Saskatchewan's provincial economic indicators slumped as they always had in the past. For the first time Alberta did not follow suit. Oil boom had counter-acted agricultural slump and after 1950 Alberta joined British Columbia as the focus of western development.

From a regional perspective three points stand out concerning the western economy by the later 1950's. First, it is more difficult than ever to talk in terms of a 'regional economy'. About the only commonality is that the region continued its high dependence on primary resources. However, those primary resources were shifting relative to pre-war years and each provincial economy had its own peculiar mix of resource dependence and diversity. Only Saskatchewan maintained any significant attachment to the wheat economy as the basis of economic development not because it wished to but because it lacked any real alternative to fall back on, at least until the later 1950's. Manitoba also maintained some of its traditional economic patterns with a mixture of agriculture and manufacturing. That stability, however, was maintained only at the cost of a continuing decline both in the value of production and population relative to the rest of Canada.

In contrast to Saskatchewan and Manitoba, the two westernmost provinces exhibited rapid growth. The contrast is clearly demonstrated by a study undertaken of population shifts for the period 1941-1961. Manitoba and Saskatchewan had a population growth of 600,000 less than they would have had they been at the national average. Alberta and British Columbia, in contrast, grew by 450,000 than would

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[126] D.B.S., *Survey of Production, 1938-1950*; Canada Year Book, 1961

[127] Province of Alberta, *Alberta's Economic Prospects*, Section 3, Table 4 indicates that coal production feel from a high of 8.4 million tons a year in the late 1940's to less than 5 million by 1954. The shift of railways to diesel engines was the major factor in this decline. Railway purchases of Alberta coal fell from 3 million tons a year to less than one million in the same period

have been the case had their population increased at the national average rate.[128] As well, these western provinces experienced a per capita income level above the national average while Manitoba and Saskatchewan remained slightly below that average through the period 1941-1961.[129] The West appeared to be breaking into have and have not provinces by the early 1960's.

A second significant feature about the western economy in this period is that despite a continuing dependence on primary resources it was becoming urbanized. By 1946 the majority of Manitobans lived in urban areas and by 1956 the proportion had reached 64%. Alberta did not become more urban than rural until some time between 1951 and 1956. Thereafter the shift was extremely rapid. By 1961 56% of the population was urban and by 1966 that figure had reached 70%. British Columbia, of course, had been urban for sometime and the tendency to concentration continued. The most dramatic feature in that province's population distribution was the predominance of Vancouver. By 1961 metropolitan Vancouver included within its boundaries 40% of the entire population of the Province. Only Saskatchewan remained a rural society by 1956 and even there urban growth was more rapid than rural until, in the later 1960's, it too became predominantly urban.[130]

The third feature is related to the second. In the West as within Canada as a whole the tertiary sector of the economy grew with amazing rapidity in the post-war years.[131] Complex urban societies, highly mechanized resource industries, higher per capita incomes and an increasing role for the public sector made the tertiary sector one of the major employers throughout the West. In British Columbia, where the changes were most pronounced the service sector accounted for more than 120,000 employees by 1961 with transportation adding 60,000 and the retail and wholesale

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[128]J.C. Stabler, *Prairie Regional Development and Prospects*, 41. Assuming his estimates to be accurate then the difference between the Alberta and British Columbia gains and the Manitoba-Saskatchewan losses might be taken to represent the net loss of the region to industrial regions in Canada and the United States
[129]*Ibid.*, 41
[130]Figures calculated from *Canada year Book* for relevant years.
[131]Marr and Paterson,*Canada. An Economic History, 21*

trades yet another 100,000.[132] The economy of British Columbia may have rested on its rich natural resources but for most British Columbians work consisted of stores, government offices and driving a bus.

**Recent Trends: Some Observations from the 1960's to the 1980's**

Various events toward the end of the 1950's and through the 1960's altered relationships within the western economy. The nature of the recession or, as it has been termed, "deceleration", of the period 1957-1962 as well as that of the "great expansion of 1963-1967" had an important impact on western provinces.[133] The demand for various primary resources altered as the economy responded to these swings in the business cycle. The result was a degree of diversification in the economies of Manitoba and Saskatchewan, though the significance of that diversification is as yet uncertain. The most dramatic force in western economic development in recent years, however, is due to the sharp rise in oil prices which took place in the early through mid-1970's As three of the four western provinces possess significant quantities of marketable oil or natural gas, the role of the region within the national economy became crucial and once again national and regional interests seemed difficult to reconcile.

The first phase in these series of developments comes in the period from the later 1950's to the mid-1960's. In these years the two rapid growth provinces of western Canada experienced a slowing of that growth as a combination of local factors and a national downswing in the economy affected them. In British Columbia the expansion in the forest products industry seemed finally to slow down. In the primary sector of the industry there was a decline in the activity as there was in fish canning and certain mining activities through 1962-1964. Growth continued in the wood products industry but at a slower rate than in previous years.[134] The province's

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[132]*Census of Canada, 1961, Vol III-1*
[133]The term "deceleration" from Bothwell, English and Drummond, *Canada Since 1945*, 218. The term "great expansion from the Economic Council of Canada, *Fourth Annual Review* (September, 1967), 11.
[134]Province of British Columbia, *British Columbia Economic Accounts, 1961-1979* (1981), section IV-B.

tendency to high unemployment was reflected in a 10% rate by the end of 1961.[135] In Alberta the same period saw a pause in the growth of the oil and natural gas industry. An absence of new discoveries and a relatively uncompetitive price structure meant that the Alberta oil industry, which had increased its annual production by some 100,000 barrels between 1951 and 1956 levelled off, growing at only a minimal rate between 1956 and 1963.[136] Unlike British Columbia, this economic 'deceleration' also affected population growth, which remained slow through the mid-1960's. In both provinces, however, the slowdowns should not be overstated. First, the term 'slowdown' is indeed appropriate for both provincial economies continued to grow. Secondly, by the mid-1960's an upturn in the national economic climate allowed a return to rapid growth through the rest of the decade.

The same period that brought a slowdown to British Columbia and Alberta, saw Manitoba and Saskatchewan improve their position somewhat. In the first place, and especially important to Saskatchewan, the position of the wheat economy improved significantly through the first half of the 1960's. Various agricultural measures under the Diefenbaker government reflected the Prime Minister's Saskatchewan base and a concern for the declining position of agriculture in the economy. The Agricultural Stabilization Act (1958) improved and extended a series of price supports on agricultural products, thus attempting to stabilize farm income while the Agricultural Rehabilitation and Development Act (1961) provided government assistance for the upgrading, consolidation and renovation of farmsteads.[137] Much more important than these however, was the series of wheat and other agricultural sales to the People's Republic of China covering the period 1961-1963. Sales ultimately totalled some 240 million bushels, removed much of the excess wheat in the Canadian system, pushed the price from $1.60 to $2.19 a bushel and total production upward to a record 827 million bushels by 1966.[138] For perhaps the first time since the 1920's, the prairie farmer found himself leading economic growth in Canada rather than lagging behind.

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[135]Economic Council of Canada, *Fourth Annual Review*, 33.
[136]D.B.S. 26-006, "Canada's Petroleum and Natural Gas Production."
[137]Statutes of Canada.
[138]Bothwell, English and Drummond, *Canada Since 1945*, 231-232. *Canada Year Book, 1968* , 499.

At the same time that the position of agriculture was improving, a number of developments began to give Saskatchewan and Manitoba hope that they would participate in the growth of new primary resource and primary resource based industries as had Alberta and British Columbia. In Saskatchewan oil exploration had spread eastward from Alberta by the 1950's. By the end of that decade, while Alberta's exploration slowed down, Saskatchewan's continued to increase until by the mid-1960's, its production of petroleum was almost 50% of that of Alberta. By 1966 provincial fuel production amounted to $224 million.[139] In addition to oil, Saskatchewan saw a boom in potash development in the early and mid-1960's. Beginning in 1962 a series of major investments, largely near Saskatoon, made Canada the world's largest potash producer and created a resource that grew at an annual rate of 25%.[140] In Manitoba, on a less dramatic scale, the expansionary Canadian economy of the mid-1960's encouraged a revival of mining in the province. Copper, zinc and nickel all became important products while Winnipeg manufacturing and distribution benefitted from the general prosperity and from the new developments in Saskatchewan.

Not too much should be made of this series of events however. The Saskatchewan slump of 1967-69 demonstrated the unfortunate conjuncture between the cycles of the agricultural and potash industries while the agricultural boom of the early 1960's has been followed by uneven growth and occasional decline through the 1970's. Manitoba's mining industry has proved vulnerable to national and international downturns and has not provided a major source of growth for the province. That province's overall share of national production has continued to slip through the late 1960's and 1970's, declining in terms of census value added from 4.2% in 1962 to 3.5% in 1974. On the prairies as a whole the expansive 1960's brought prosperity as it did in most other parts of the nation but it should also be noted that the rate of job creation there was much lower than the national average. Only a continued slow population growth due to out-migration allowed low unemployment.

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[139]D.B.S. 260-006, "Canada's Petroleum and Natural Gas Production."
[140]John Richards and Larry Pratt, *Prairie Capitalism* , 193-194.

The really significant trend in western economic development has been the continued relative rise of Alberta and British Columbia. In the 1970's, of course, Alberta's position as an oil producer proved especially valuable. The rise in oil prices occasioned by the 1973 Yom Kippur war saw the value of fuel production rise from $1.5 billion in 1971 to $5.5 billion by 1975 and $16.2 billion by the end of the decade.[141] This boom was accompanied by tremendous growth in construction, capital investment, oil and natural gas service firms and practically all other sectors of the economy. At a time when manufacturing in central Canada began to face increasing difficulties due to inflation and international competition the province of Alberta and, to a somewhat lesser degree, British Columbia, became the focus of development for the nation. For the first time since the 1920's western development began to be seen as the key to national prosperity.[142] For the last decade and a half the population in Canada's two westernmost provinces have seen the greatest rate of growth in Canada and per capita incomes have, with Ontario's, been the highest in Canada over the last decade.[143] The recent phase of the boom is of relatively short duration and from an historical perspective it is difficult to be certain whether it heralds a new era in western Canadian development or merely another phase in the boom-bust cycles which have characterized the region's history. For those living in the age, however, it raises a good many questions about the western economy.

The first question has really been present since the end of the Second World War and concerns the disparity of growth within the region. As has been indicated, British Columbia has experienced sustained growth since 1940, Alberta from the 1950's. Manitoba and Saskatchewan have, for most of the period, been provinces characterized by significant net-outmigration, and a low or even negative rate of population increase. From 1966 to 1976 Saskatchewan and Manitoba had the lowest

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[141]Province of Alberta, *Alberta Statistical Review, 1980* (Edmonton, 1981), xvii.
[142]The oil and natural gas boom also had a major impact on both the British Columbia and Saskatchewan economies.
[143]Figures derived from *Canada Year Book, 1980; Alberta Statistical Review 1980* and *British Columbia Economic Accounts, 1961-1979.*

rate of population growth in Canada.[144] This slow growth in population has not been matched by an extremely low standard of living or a high rate of unemployment. Indeed, in Saskatchewan's case the rate of unemployment has been among the lowest in the nation. The concept of growth is, however, deeply imbedded within the western tradition. The decline in political power implied by a declining population is viewed as inimical to both regional and provincial interests. Only as the region as a whole approaches equality with Ontario in terms of population will it be able to ensure that national policies reflect western interests. Further, there is a concern that the shift within the region's population balances will have an impact on the degree to which national policies may favour the needs of Alberta and British Columbia over those of Saskatchewan and Manitoba. This has led to a concern that national policies be used to some extent to encourage slower growth regions within the West as well as general western development.[145]

Three subsidiary questions flow from this general problem. First, to what degree will continued western economic growth have a 'trickle down' effect to those provinces and areas of provinces which are not centres of such growth? Secondly, and more specifically, what is the potential of Saskatchewan. The 1970's, and most of the 1960's, gave indications that Saskatchewan's new resources of oil, potash and uranium, may make it a 'have' province. Certainly, recent growth patterns would indicate so. At the same time, high variability of income is still a phenomenon within the province and the growth of the last few years encompasses too short a time historically to be certain as to whether a new pattern has evolved. Third, and finally, to what degree can or should federal government policies be used to try to remove the disparities in growth within the region? As will be seen below, there has beeen a growing suspicion in western Canada that government programs tend to favour 'have' over 'have not' areas. It is therefore possible that growing concerns may be expressed within western Canada and between sectors in western Canada that this will continue to be the case. It may, for example, make economic sense for the federal

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[144] *Canada Year Book, 1976*, 186.
[145] See Canada West Foundation, *A Report on the Western Economic Opportunities Conference* (1973).

government to reduce its commitment to unefficient branch lines while increasing its commitment to 'mega-energy projects'. It should be remembered, however, that while both are commitments to the West they have very different impacts on specific areas and economic groups within western Canada. Recent western willingness to at least consider the abandonment of the Crow rates and the different positions assumed by differing provinces and groups within the provinces reflect clearly this sort of internal debate as to the proper direction for western development. Any policy, whether federal or provincial for 'western development' or 'provincial development' must be concerned with these internal problems. Recent political controversies within the region give warning that such issues will be of fundamental importance over the next few years.

The second general problem raised by recent events involves the revival of a degree of tension and acrimony between regional (largely provincial) economic policies and national policies. Energy has been a particular source of conflict and reflects its importance to the nation and the West but other controversies have flared as a self-conscious regional alienation seems to flourish hand in hand with regional prosperity. In many ways, of course, this is part of an historical pattern. The different policy courses implied by national interests and regional interests have been a source of political acrimony since the federal government retained control of Manitoba's lands in 1870. In recent years the tradition has been renewed in the shape of a series of confrontations between provincial and federal governments covering the whole spectrum of taxation and resource control. The federal government has generally sought to spread the benefits of western growth throughout the nation and, specifically in the case of energy, to provide a subsidy to consumers in order to cushion the effect of rapid price increases. Western energy producers have consistently regarded federal policies as an unfair attempt to deflect western prosperity to central Canada. Economic confrontation has led to political alienation to the point that in the most recent federal election not one Member of Parliament from the three westernmost provinces was

elected to government benches.[146] Most recently, separatist movements have appeared in varying degrees of strength in all western provinces and though their significance is far from clear at this point their very presence is a sign of the alienation which exists.

The economic sources of this alienation are not difficult to identify though the implications that flow from them are extremely complex. First, western economic thinking is haunted both by the memory of the great depression and by a feeling of an historical inability to assert western interests on the national scene. The non-renewable resource basis of so much western growth in recent years accentuates the fear that the region may be at or near the top of another economic boom which will be followed by another bust and that if that happens regional actions, private or public, will fail to provide growth and security for the population. While individual westerners congratulate themselves as risk takers in highly speculative industries general western economic policy has, on the contrary, reflected a concern for long term stability. The establishment of "Heritage Funds" in both Alberta and Saskatchewan are perhaps the most politically controversial examples of such attitudes. The concern with control of development is also very much a pervasive aspect of western policy. For all the very real differences between the 'free enterprise' approach of Alberta to participation in the oil industry and tar sands projects and Saskatchewan's movement into the potash industry both provinces expressly wished to assert their ability to direct future economic development.[147] Such moves, as well as the enticement of financial decision makers into the region are seen as hedges against the day when resources become less obviously profitable than they are at present. These concerns, in turn, shape the focus of western policy. Practically every economic policy statement from western Canada and many of the policies pursued through the last two decades have emphasized the necessity of employing the high level of investment and per

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[146]Several works exist on recent western alienation. Roger Gibbins, *Prairie Politics and Society. Regionalism in Decline* (Toronto, 1980), 167-192; Larry Pratt and Garth Stevenson (eds)., *Western Separatism. The Myths, Realities and Dangers* (Edmonton, 1981) and, from an aggrieved point of view, John Barr and Owen Anderson, *The Unfinished Revolt. Some view of Western Independence* (Toronto, 1971).

[147]Richards and Pratt, *Prairie Capitalism*, discuss the development strategies of both provinces

capita income in the resource sector to encourage other areas of development. This diversification is seen in generally the same way as it has been since the war years. Industrialization is actively sought as the means of providing stability in income and employment from a sector that will be less subject to serious fluctuations.[148]

The desire for diversification has also raised some old issues but has added specific twists to them. Tariffs, for example, remain a source of grievance to the West and are thought be be artificially protecting central Canada at the expense of western consumers. In recent years, however, there has been a movement away from the traditional agrarian orientation toward free trade. The theme instead has become selective reductions and bi-lateral negotiations that would benefit the West in key areas while still allowing protection of industries where it is thought western development may be possible. Freight rates are also viewed with an eye to greater industrial development in the region rather than mainly as a cost to consumers of eastern goods. Transportation, in fact, is often seen as the major obstacle between westerners and more diversified development.[149] It is here perhaps that the regional dilemma is most appropriately expressed. On the one hand there is a recognition of the fact that the main problem is one of geography. The West is distant from major markets and this creates difficulty for many industries. As such, transportation costs are simply a fact of geography and reflect a comparative advantage of central Canada in secondary manufacturing. On the other hand, attention is continually drawn to those aspects of freight rate policy which seem to discriminate against the West, usually accompanied by the argument that industrialization would be promoted if those discriminatory aspects were ended. No doubt this is true to a point but whether such alterations would have a significant impact remains a subject of debate.

One final aspect of western concern should be mentioned. There has been a growing feeling that a significant presence on the part of the federal government as a

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[148]As an example see Background Paper of the Four Western Provinces to Western Economic Opportunities Conference (1973), "Economic and Industrial Development Opportunities," and K. Thorson, "Regional Development in Saskatchewan" in O.J. Firestone, *Regional Economic Development* (Ottawa, 1974).

[149] *"Economic and Industrial Development Opportunities."*

purchaser and promoter exacerbated regional disparities. This concern was expressed first during the two world wars. In both cases the federal government found itself with a considerably enhanced presence in the industrial sector. Its war orders, (and those of its allies) were central to Canadian economic well-being in these years. In both cases, of course, federal concerns were with efficient production at as fast a rate as possible and the tendency was therefore to turn to established industry. As such the effect of the war years was to concentrate further industrial expansion where it already existed, Ontario and Quebec and, to a lesser extent, British Columbia.[150]

In the above cases, the government presence was the result of extraordinary circumstances. After World War Two, however, the more active and interventionist role of the government in the economy and its concentration on industrial development as a key to economic growth made normal the high profile of the war years.[151] Since 1945, western provinces have expressed concerns that such intervention accentuates regional disparity in the name of national growth. It was argued at the Western Economic Opportunities Conference in 1973, for example, that Industry, Trade and Commerce programs favoured established (and thus mainly central Canadian) industry over newer or small ventures from the West. In this sense the Department of Regional and Economic Expansion has been seen not so much as a positive initiative but as a counter-balance to other federal policies. As then Premier Schreyer of Manitoba put it "DREE would have to be very active merely to keep up with the growing imbalance caused by the impact of DITC."[152] Federal government policies have thus continued to be seen in the post-war years as maintaining the continued concentration of industry in central Canada, even if this was the inadvertent result of policies aimed at national growth.

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[150]John Thompson, *Harvests of War*, 55-56; *History of the Department of Munitions and Supply*; Robert Bothwell, "Will Saskatoon Get Its Share"

[151]On reconstruction policies designed to ensure industrial development see Robert Bothwell, *C.D. Howe: An Autobiography* (Toronto, 1979). For a more general overview of the post-war period see David Wolfe, "Economic Growth and Foreign Investment. A Perspective on Canadian Economic Policy, 1945-1957," *Journal of Canadian Studies*, 13 (I) (1978).

[152]Canada West Foundation, *Report on the Western Economic Opportunities Conference*, 9.

**Conclusion**

For all the changes that have taken place in western Canada through the past century a couple of themes do emerge concerning western development and western expectations. First, the West was made so central to Canadian plans for development in the 19th century and hopes for it raised so high that it was almost inevitable that the region did not live up to expectations. This fact, when combined with the relatively weak political position of the region through its early years, has led to an enduring sense that forces in "the east" have been active in thwarting the realization of those expectations. At the economic level this has led to a continuing tension between two different goals. One goal looks to the maximization of western potential for the western region. The other looks to the utilization of western resources to achieve national purposes. At various times the expression of this tension has taken different forms: farmers versus national railway policy, free trade versus protective tariffs and, most recently, maximization of resource rents for the producing provinces versus subsidization for consumers. They are all expressions of the same tension, however, and will undoubtedly remain an important factor in any economic planning if only for the reason that any policy which is perceived to tip too much one way or the other will likely prove useless because it will never be implemented.

A second theme which emerges concerns not the benefits to the West but the structure of the western economy. In this case there are two clearly defined stages in western thought. From 1870 to the 1930's, there was a general willingness to accept the dominance of agriculture with only mild expressions of concern about the dependence on wheat in particular. Beginning in the 1930's, however, and becoming a major issue by the 1950's, the concept of diversification has become central in the minds of western policy makers. Moreover, given the degree to which post-war developments in Ontario improved incomes and generated employment, there has been a tendency to look to industrialization as the optimum path to diversification. It would seem that industrialization is seen as providing greater stability than primary resources, a more skilled and higher paid work force and as possessing a greater ability to

attract commercial and financial institutions in their wake. It is thus with some frustration through the 1950's and 60's that the West, especially the prairies, watched further concentration of manufacturing in the Windsor-Quebec corridor. Demands for freight rate changes, alteration of federal incentive policies and other things were the western response to this failure to achieve its version of diversification.

Of course, western policy makers and politicians have also looked to other forms of diversification. The recognition of geographical and demographic disadvantages to manufacturing which exist throughout much of the West has led to a concentration of effort on diversification within the context of the chief primary resources of the region. One version of diversification here would emphasize the development of various primary resources: oil, natural gas, forestry, potash or whatever. The very number of resources would thereby provide some hedge against sharp swings in income. This has, in itself, not usually been considered sufficient. The real goal since the early 1950's has been to use the presence of resources to encourage a degree of resource related processing in the West on the B.C. model with the assumption that secondary manufacturing would follow. These policies raise a number of issues which will prove central to western economic development in the future.

First, the prosperity of recent years in western Canada has not dimninished the concern for the future of the western economy. Premier Blakeney of Saskatchewan summed up an often felt sentiment through recent years when he commented in 1975 that "we in Saskatchewan are enjoying a measure of prosperity, but we feel highly vulnerable."[133] This anomolous condition of prosperity and concern results in part from the obvious importance of a few key primary resources, especially non-renewable resources, in shaping recent western economic growth. Not surprisingly, Alberta has felt the most vulnerable of all. You have to remember, Premier Lougheed cautioned, that "once a barrel of oil goes down the pipeline it is gone forever."[134] By the late 1970's more than half the Census Value Added for the entire provincial economy

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[133] Federal-Provincial Conference, April 9-10, 1975, "Opening Statement by Saskatchewan," 10

[134] Ibid.,"Opening Statement by Premier Lougheed of Alberta," 4

came from mining. Provincial revenues were equally dependent on this narrow resource base. Given the impotrance of oil and natural gas to the economies of Saskatchewan and British Columbia respectively there is a concern that the depletion of energy resources will spell the end of the boom in western Canada. In a time of rapid growth diversification thus takes on an even more urgent priority in the face of that "inevitable day" [155] when the oil runs out:

> Over the course of the next decade, Alberta must diversify and broaden the base of its economy and become less dependent upon the role of unprocessed natural resources - whose world demand might diminish - either due to technological developments such as nuclear energy or other resources.[156]

To date this goal of lessening dependence on oil and natural gas has proved elusive, so too has any feeling of economic security. At the same time it should be noted that the West as a whole is much less dependent on one resource than it was in the 1920's. Even oil and gas do not dominate in the way wheat once did. As well, the presence of uranium, coal, potash, the forest industry, agriculture and other primary resources raise at least the possibility of increasing diversification within the region.[157] An assessment of the relative strengths and weaknesses of key primary resource sectors aside from oil and natural gas is central, therefore, to any assessment of the potential for the achievement of the much sought after diversification within the western economy.

Closely related to the question of diversification is the role of the tertiary sector in the current and future economy of the West. This sector is by far the greatest employer in the region. Such things as transportation, distribution, commercial and financial services are, of course, dependent to a degree on the health of the 'goods producing' primary and secondary sectors. The exact degree of that dependence, however, may be extremely important. If, for example, that dependence is

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[155] Premier Lougheed, Sttatement in Alberta Legislature, October 13, 1976. Cited in Richards and Pratt, *Prairie Capitalism*, 215

[156] Federal-Provincial First Ministers Conference, January 20-23, 1974, "Opening Statement by the Premier of Alberta," 7

[157] There is some indication, for example, that Saskatchewan has begun to escape from its high dependence on agricultural well being. See Government of Saskatchewan, *Economic Review, 1981*, 12. The evidence is too short term to be conclusive.

great, then the West is obviously more vulnerable to serious swings in employment and per capita income than would be the case if that dependence were small.

Thirdly, a very complex series of issues is raised by what appears to be a strong belief that economies naturally 'fill out'.[158] Thus, for example, it is often argued that the resource boom can be used to encourage a fast rate of population growth and a high rate of per capita income. This, in turn, will eventually lead to a higher degree of processing of the primary resource and as the population grows, an increasing tendency for secondary manufacturing to move into the region. At some unspecified and unknown future point the result would thus be a well diversified economy, no longer dependent on the original resource. If this were simply a general assumption about the long term direction of economic growth, its importance to current policy would not be that great. The staples thesis has a very strong hold on the Canadian imagination and the concept of a natural evolution from frontier to metropolis is, after all, a part of the historical experience of North Americans. The fear that it may not come to pass, however, and the uncertainty as to how long a resource boom is necessary for the filling out to take effect and how much population is necessary creates two specific policy issues.

First, there is a strong fear that very high resource rents are necessary to force such a filling in. These rents are seen as necessary to overcome historical 'injustice' and geographical inequities.

> Diversification of a significant nature will be difficult for a number of reasons....It is the position of the Government that, in the Alberta public interest, significant expanded sources of Government revenues must begin to flow into the provincial treasury now in order to provide part of the funds for new programs specifically designed for such diversification.[159]

Any measure which threatens to diminish those rents is thus seen as a direct threat not only to the immediate well being of the West but to its long term future. In

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[158] J. Richards and L. Pratt, *Prairie Capitalism*, 232

[159] Cited in Richards and Pratt, *Prairie Capitalism*, 224. See also a similar argument made by Saskatchewan at the Federal-Provincial Conference on Energy , January 22-23, 1974, Province of Saskatchewan, "Towards a New Canada."

recent years there has been a great deal of rhetoric back and forth across the nation on western and national economic policies, especially on energy matters. Those in the West have accused those elsewhere of threatening their future. Those elsewhere have looked in astonishment at the richest provinces in the nation complaining that they are not getting richer, faster. At the root of these political arguments is a strong western belief that the long term is at stake and that massive resource returns in the relatively short term are absolutely necessary to encourage diversification and stability in the long term. In the historical sense one more 'boom' is not of great significance to the West unless the boom can be used to provide freedom from booms and busts in the future. To the rest of the nation the concept of the 'boom-bust' cycle is not as strong and long term strategy cannot help but look like greedy indifference to the plight of other parts of Canada.

Secondly, the issue is of some importance because there has been a tendency for western governments to try to induce diversification through a series of provincial incentives and policies described variously as "neo-mercantilist" and as "province building." [160] A series of Crown corporations in British Columbia, Alberta's strategy for a petrochemical industry on a world scale and Saskatchewan's various measures to control and encourage fertilizer production and agriculture-related industries provide examples. If, as supporters of such measures argue, this is simply encouraging or hastening a natural economic tendency then such policies may indeed encourage long term diversification. Certainly there are precedents for such actons. Ontario in the early twentieth century used legislation and taxation to force increased processing of timber and mineral resources within the province. The measures were generally successful in promoting employment and financial control of resource industries previously located in the United States.[161] Critics would argue, however, that such an historical analogy is irrelevant and that the different era, the different industries and

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[160] K. Norrie, "Natural Resource Development, and Canada-U.S. Relations," in Carl Beigie and Alfred Hero, (eds.), *Natural Resources in U.S. Canadian Relations* (Boulder, 1977) Larry Pratt, "The State and Province Building: Alberta's Development Strategy," in Leo Panitch (ed.), *The Canadian State. Political Economy and Political Power* (Toronto, 1977)

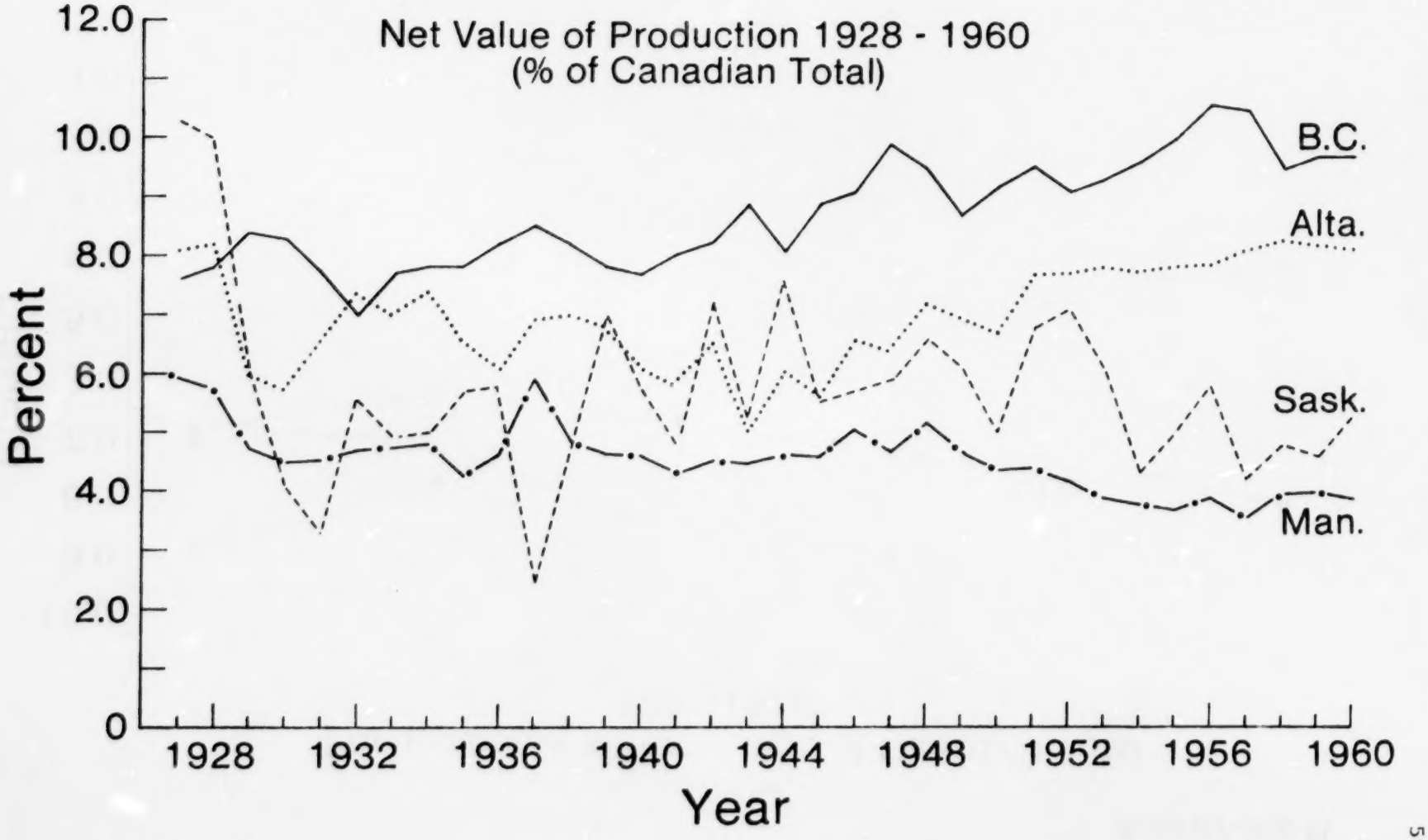
[161] H.V. Nelles, "Empire Ontario: The Problems of Resource Development," in D. Swainson (ed.), *Oliver Mowat's Ontario* (Toronto 1972)

different geographical and political circumstances of the West mean that such diversification is not the hastening of a natural process but the forced creation of a series of industries for which there is no long term future. Obviously the question of government induced, resource based diversification and its viability is central to the future of western economic development. Related to this is the overall significance of government policy. Government policies are obviously important in that they can exacerbate or diminish the impact of various economic forces. A strong fiscal position on the part of provincial governments is especially important, as the depression revealed, in allowing necessary actions to ameliorate the effects on individuals. Whether government action can actually control the swings that such variables cause is another matter and one which is less demonstrable historically.

Finally, and connecting many of the above concerns, there is the question of whether industrialization on the Ontario model is as desirable as many have assumed in recent decades. The tremendous success of Ontario since World War Two has naturally affected policy makers and planners. As well the vulnerability of the resource oriented West in the 1930's is well remembered. Several points are worth making however. First, resource dependency was not as crucial to the more severe collapse of the Canadian West as was a particular dependence on agriculture. British Columbia actually fared well in a relative sense during the depression. Secondly, the performance of the West as a whole through the 1950-1980 period has not been that weak in spite of a continued dependence on primary resources. British Columbia, with a resource related processing industry, has persistently shown strong economic performance. The diminishing role of agriculture has, it is true, caused difficulties in parts of the West but the decline of one resource does not equal the decline of resource industries any more than say, the decline of the textile industry implies the collapse of secondary manufacturing. Thirdly, one of the attractions of manufacturing, and especially secondary manufacturing is that it has in the post-war years provided year round employment and has provided more skilled workers with better paying jobs. In recent years, however, mechanization in various primary industries has tended to reduce seasonality and to require skilled as opposed to unskilled labour. In other

words, the traditional differences in employment between primary and secondary industries may not be as great as they once were. Also, the growing presence of the tertiary sector may prove to be especially crucial to economic well being in the future. It may be that a primary resource based economy, presumably with some processing, and a strong tertiary sector provides sufficient diversification to allow steady growth in employment and income. Finally, the recent position of secondary manufacturing in North America may indicate the end of an era of strong growth in that sector. Certainly primary resources of the West have proven more resistent in the early stages of the recent economic downturn than have the manufacturing industries of central Canada. All of these issues ultimately lead to questions beyond the scope of this study and will require further investigation. They at least raise the question, however, as to the degree to which forced industrialization of the West, especially the encouragement of large scale secondary manufacturing is necessary or desirable. The historical patterns to date indicate that man's efforts to plan the development of the West have proved less significant than the deeply rooted factors of geography, climate and demography. Any policies in the future which ignore these factors will inevitably yield disappointing results.

**Appendix A**


Net Value of Production 1928 - 1960
(% of Canadian Total)
Percent
12.0
10.0
8.0
6.0
4.0
2.0
0
1928
1932
1936
1940
1944
1948
1952
1956
1960
Year
B.C.
Alta.
Sask.
Man.

**Appendix B**

Population as a Percentage of Canadian Total
1931-1976